

A VISION FOR DOWNTOWN OAKLAND

AN ECONOMIC &
MARKET EVALUATION



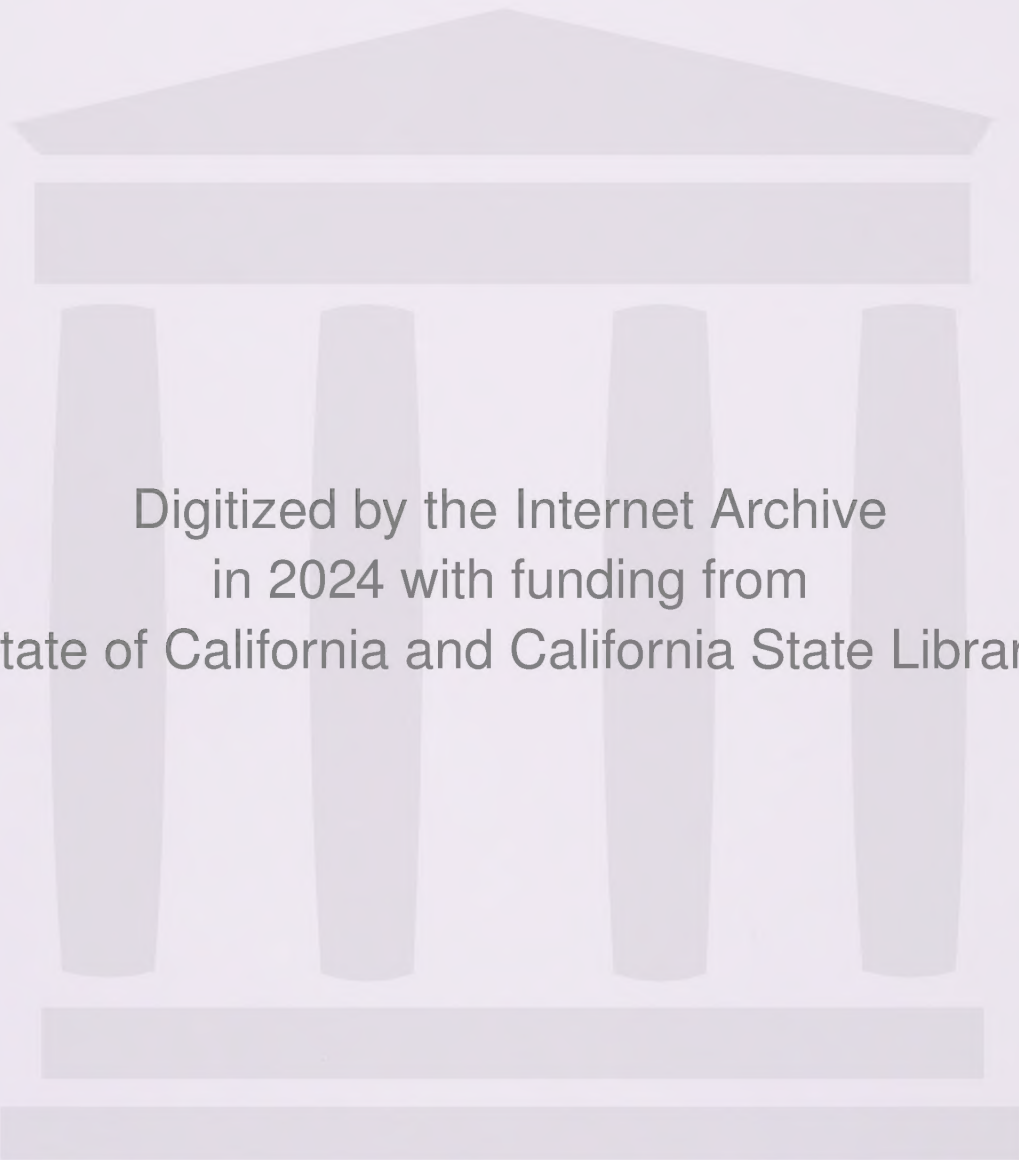
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INTRODUCTION AND OVERVIEW

WORKSHOP RECOMMENDATIONS FOR THE FUTURE OF DOWNTOWN AND THE BROADWAY CORRIDOR

In late 1990 and early 1991, municipal, community, and business leaders were brought together for the purpose of formulating a vision for the future of downtown Oakland and of the Broadway Corridor. Workshops were held and participants were asked to visualize desired and undesired future states for downtown. In so doing, participants discussed the quality and character of downtown, the level of activity there, and physical aspects of downtown development. The workshop process resulted in recommendations reflecting the common elements of future visions for downtown Oakland. Those recommendations are the subject of a report published in August 1991 titled A Vision For Downtown Oakland. The Workshop recommendations are summarized under eight major categories including:

- ▶ Encourage managed growth in the downtown;
- ▶ Preserve the integrity of downtown neighborhoods;
- ▶ Build upon the existing downtown structure;
- ▶ Strengthen attributes which contribute to a sense of place;
- ▶ Encourage a pedestrian quality to the downtown;
- ▶ Build citywide support for the downtown;
- ▶ Develop an outreach strategy; and
- ▶ Maintain a process to guide the future of downtown.

The Workshop recommendations express a broad range of desired characteristics and conditions for downtown in the future. They also deal with the political process necessary to build support for downtown and, ultimately, establish consensus on a shared vision for the future.

IMPLEMENTING WORKSHOP RECOMMENDATIONS

This report is the first step towards sorting through the Workshop recommendations, considering what could be involved in achieving each, addressing how they interrelate, and prioritizing them for implementation. The report focuses on the recommendations for growth and increased activity downtown, for the physical form of development and the physical organization of activities, and for the quality of the environment downtown (basically, the first five recommendations listed above). The evaluation

takes an economic perspective, considering how the strengths and weaknesses of the economy and real estate market over both the short- and long-terms affect what would be required to achieve Workshop recommendations.

The Workshop recommendations are examined in terms of the following key economic, land use, and policy considerations:

- ▶ the extent of market support for particular types of uses and activities in various locations over time;
- ▶ whether public sector participation and financial support would be needed to achieve certain recommendations;
- ▶ whether zoning and other regulatory policy changes would play a role in achieving certain outcomes;
- ▶ the types of major policy decisions that would be needed to set priorities and reinforce recommendations;
- ▶ the types of organizational or management structures that might be required for certain uses or improvements;
- ▶ important timing and phasing considerations; and
- ▶ particular issues associated with certain recommendations.

It is not the intent of this report to present conclusions about whether Workshop recommendations should or should not be implemented. Rather, it is the purpose of this report to identify **opportunities, strategies, and issues regarding implementation** and to discuss factors supporting certain strategies and actions. Like the Workshop recommendations that together make up a vision for downtown in the future, the implementation program for achieving that vision will consist of a number of strategies that together make up an overall master plan or master strategy for downtown in the future.

The market and economic evaluation in this report, while not conclusive, should serve a valuable function in the planning process that lies ahead. Arriving at a master strategy requires a downtown-wide perspective that can set priorities for land use planning, project approval, and allocating public financial resources. This report provides an outline of the range of options and choices for those plans and programs and identifies questions and issues for further analysis that will influence higher-level decisions on a master strategy for downtown. That master strategy will ultimately be realized as a set of more focussed projects or area plans. The market and economic evaluation in this report should serve as a guide to assessing site potentials

and identifying catalyst projects. Those, too, will be the subject of further analysis to refine the details of concern at the neighborhood level.

IMPLEMENTATION WILL REQUIRE NEW DIRECTION IN PUBLIC POLICY DECISION-MAKING

Difficult choices lie ahead in the planning process for downtown and the Broadway Corridor. The Workshop recommendations are not of equal weight or importance. Moreover, public sector resources are limited and many strategy options rely on public sector participation. In addition, market factors that affect what can be achieved vary among land uses and over time, introducing a complicating element to the debate about priorities and the level of effort required to address those priorities.

Very deliberate leadership and strategies will be needed to achieve the Workshop recommendations. Success will depend on consistency in public sector land use and project planning, in concert with efficient use of public financial resources. Toward that end, **for each land use, a strategy could be devised that commits resources to maximize both the potentials indicated by market analysis and the leverage offered by public sector participation.** Those land use strategies also must build upon each other to reflect a downtown master strategy.

This type of planning requires commitment to a series of complementary shorter-term actions designed to achieve longer-term objectives. Regulatory actions could be undertaken in the near term. They encourage and influence the private sector and provide overall policy direction. It will be more difficult to prioritize strategies and development projects that require substantial public sector participation and resources. Decisions to pursue one or more of these types of actions could significantly limit the resources available for other efforts for some period of time. The magnitude of the commitment alone should not be the reason for rejecting a significant plan or project, however. The benefits might justify the commitment. On the other hand, without deliberate planning, investment in a series of smaller projects could preclude commitment to something larger that might ultimately achieve more goals. Developing a master strategy should provide a vehicle for determining resource allocation priorities such that large and smaller projects are addressed in a rational and complementary way. Economic analysis can provide the means for dealing with questions of trade-offs, timing, and how to take advantage of market potentials.

Finally, civic leadership must be committed to the implementation strategies. Leadership and staff must be willing to stand behind the chosen policy direction over time. Individual decisions made in the course of subsequent planning efforts should draw from the priorities that have been set and should reinforce the overall master strategy for downtown.

ORGANIZATION OF THIS REPORT

This report is organized in chapters according to the major land uses downtown (office, retail, residential, and other). For each land use, a market context section summarizes key factors influencing future activity and development downtown. Then, the Workshop recommendations of particular relevance under each land use are listed. The rest of each chapter is a discussion of opportunities, strategies, and issues relevant to implementing Workshop recommendations considering market and other factors influencing that land use. In addition to the chapters for each major land use, a chapter also is included to address the Workshop recommendations regarding open space, streetscape improvements and amenities, and transportation improvements.

SUMMARY OF KEY STRATEGIES FOR ACHIEVING WORKSHOP RECOMMENDATIONS

Figure 1 at the end of this chapter summarizes the opportunities and strategies related to achieving Workshop recommendations. The following is an overview of key points.

► Downtown Office Sector

The office market is the strongest economic sector downtown. The future of the downtown's economy is very much dependent on the downtown office sector as is the achievement of various Workshop recommendations for downtown. A strategy to support and encourage office growth could focus on local efforts that would enhance the downtown's ability to attract office tenants. These could include maintaining a supply of competitively-priced space, avoiding fees and other requirements that add to the costs of doing business downtown, improving the attractiveness of the downtown environment, and marketing downtown in a positive light.

With continuing support for the office sector, attention can then be focused on an overall strategy for using the downtown office sector to help achieve various Workshop recommendations. What is needed is commitment to influencing the location of future office activities downtown and to coordinating and leveraging planning and program decisions affecting the office sector. Because the number of potential sites for new office development under existing zoning is very large relative to absorption, a strategy that coordinates changes in zoning with decisions regarding the permanent location of City government offices and the use of publicly-owned parcels could succeed in encouraging future office development in a more centralized area, focused on the Broadway Corridor. Such a strategy would help revitalize Broadway, link the Lake Merritt Office and City Center areas, and enhance the feasibility of major retailing downtown. Within the context of an overall office strategy, high priority could continue to be given to structuring a

program for earthquake-damaged office buildings downtown that responds to feasibility issues concerning repair and retention of damaged buildings and to priorities regarding historic resources.

Overall, strategy options for the office sector would require relatively small commitments of public sector participation and financial resources for the results and benefits that could be achieved.

► Downtown Retail Sector

There is significant opportunity for major destination shopping in downtown Oakland. Major retailing in the Uptown area represents the most promising means of "vitalizing" that part of downtown. Development of a certain critical mass, including several "anchor" stores, would be required to establish downtown as a major shopping area.

While the benefits of major destination retailing would be substantial, such an undertaking would require significant public sector participation and resources. Strong leadership on the part of City officials and staff, commitment to a very deliberate course of action, and pursuit of a joint public/private effort would be necessary. It is possible that the magnitude of public financial resources required may not be available. Assuming an economically feasible scheme could be developed, there are trade-offs to consider: for a period of time, priority for public resources would have to be given to retailing over other possible uses of those funds. At this point, the strategy option for destination retailing involves undertaking further evaluation of alternatives to address Workshop recommendations and to attempt to define an economically feasible project.

Strategy options for specialty and local-serving retailing in other parts of downtown include completing existing retail projects and encouraging and promoting retailing that serves local and special markets in ways that enhance the vitality of downtown streets, reinforcing the districts along Broadway and tying them together. Such strategies could involve regulatory actions as well as some public sector participation.

► Downtown Residential Uses

Achieving Workshop recommendations regarding downtown residential development would involve strategies designed to accomplish several objectives. They include the near-term strategy of using regulatory powers and limited public sector participation to maximize market potentials for producing housing. They also include longer-term strategies requiring the commitment of significant public sector participation and

resources for developing new neighborhoods downtown and/or producing affordable housing and housing types that would not otherwise be built. The potential magnitude of public resources required to achieve all of these objectives could be very large. The commitment of substantial public sector resources to housing in the near term could limit the ability to pursue major strategies for other uses where market potentials are stronger in the near future.

► Other Activities and Land Uses Downtown

This group of land uses includes hotels and arts, cultural, and educational activities, as well as entertainment and recreation. These activities and uses attract people downtown and provide market support for other land uses. They are particularly important in providing activity downtown at night and on weekends. Strategy options focus on encouraging more of these types of activities and uses downtown. Options include developing larger-scale facilities in strategic locations to attract cultural and entertainment uses downtown (e.g. arena, performance theater, movie theater, hotel). In some cases such facilities would need to be developed as joint public/private efforts. Other options include promotional activities, support for arts and cultural organizations, and expanded galleries, exhibits, and smaller-scale facilities that would add amenities and contribute diversity and interest downtown.

► Open Space, Streetscape Improvements and Amenities, and Transportation Improvements

These improvements and uses support and enhance market potentials for other land uses. They improve the image and attractiveness of downtown. There are two overall strategies for developing improvements of these types. One is to prioritize and program improvements identified by the Workshop so that they would be of benefit to other land uses downtown and would enhance potentials for revitalization. Such a strategy should be developed in coordination with planning for other land uses. The other overall strategy is to identify sources of funding for development and ongoing operation and maintenance of desired improvements and to identify the particular entities to be responsible for implementation. Public sector participation and funding is likely to be required. Private sector support also is a possibility, primarily through assessments or levies on private property downtown.

FIGURE 1
SUMMARY OF OPPORTUNITIES AND STRATEGIES RELATED TO ACHIEVING WORKSHOP RECOMMENDATIONS: DOWNTOWN OFFICE SECTOR

Workshop Recommendations	Nature of Market Support	Strategy Options and Issues
<ul style="list-style-type: none"> ▶ Attract more downtown office activity. ▶ Downtown Core: center of downtown; important office concentration; preserve historic character. ▶ Lake Merritt Office District: important office concentration. ▶ Reinforce prominence of Broadway: strengthen links to Lake Merritt Office District and to City Hall; high-rise signature buildings and active building uses along Broadway. ▶ Preserve small-scale, pedestrian character of 17th Street. ▶ Preserve historic structures: City Hall, Rotunda, Broadway Building if possible; Rotunda and Broadway Building could be part of City Hall complex; repair earthquake-damaged structures where possible. ▶ Resolve fate of earthquake-damaged buildings as soon as possible. ▶ Treat Broadway Building and Cathedral Building as special places contributing to character of downtown. 	<ul style="list-style-type: none"> ▶ Office will continue to be largest employer and strongest commercial development sector downtown. ▶ Downtown Oakland has been attracting cost-conscious office tenants that value its central location in the region, its good accessibility, and its competitively-priced space. ▶ Absorption of competitive office space is expected to increase over the longer term; uncertainties and slower absorption likely over next three to five years. ▶ Government office activity is becoming increasingly important downtown. ▶ Under existing zoning, the supply of potential sites for new office development is very large relative to office space absorption. ▶ Office sector holds most potential for supporting repair of earthquake-damaged buildings downtown or new construction on their sites. ▶ Although the office market is the strongest economic sector downtown, it is not so strong that it can be taken for granted and expected to prosper without continuing local support. 	<ul style="list-style-type: none"> ▶ Support and enhance downtown's ability to attract office tenants: <ul style="list-style-type: none"> - maintain supply of competitively-priced space downtown; - avoid fees and other requirements that add to the costs of doing business downtown; - enhance attractiveness of the downtown environment; and - market downtown in a positive light. ▶ Commit to a master strategy for using the office sector to achieve Workshop recommendations in ways described below. ▶ Influence path of major office building development to encourage more office growth in the Broadway Corridor: <ul style="list-style-type: none"> - change zoning and other land use policies to limit office development in peripheral downtown locations and encourage it in central areas; and - limit high-rise development in certain locations and enact protections for existing scale, character, and historic buildings. ▶ Make public sector decisions to further bolster strategy of revitalizing the Broadway Corridor: <ul style="list-style-type: none"> - permanently locate City government offices on Broadway side of City Hall Plaza to serve as a catalyst to revitalize activity at 14th and Broadway, one of the most visible and important locations downtown; - do not encourage office development along Clay Street for a while into the future; and - avoid major office development on Port property in the vicinity of Jack London Square that would compete with more central downtown locations. ▶ Give high priority to structuring a program for earthquake-damaged buildings downtown addressing: <ul style="list-style-type: none"> - feasibility issues concerning repair and retention; - repair and upgrading standards; - priorities regarding historic buildings; and - public sector participation and financial assistance for repairing and reopening damaged buildings.

FIGURE 1 (CONTINUED)
SUMMARY OF OPPORTUNITIES AND STRATEGIES RELATED TO ACHIEVING WORKSHOP RECOMMENDATIONS: DOWNTOWN RETAIL SECTOR

Workshop Recommendations	Nature of Market Support	Strategy Options and Issues
<ul style="list-style-type: none"> ▶ Attract more downtown retail activity; new destination retailing desirable. ▶ Chinatown: mixed retail/residential neighborhood. ▶ Old Oakland Area: potential center for nighttime entertainment, dining, and cultural uses. ▶ Downtown Core: increase ground floor occupancies; street activating uses in new development. ▶ Uptown: retail/ entertainment district; integrate major new retail development with existing downtown. ▶ Active uses in ground floors along Broadway; Broadway frontage for any major new retail development; discourage blank building bases and surface parking lots. ▶ Integrate historic resources in retail development. 	<ul style="list-style-type: none"> ▶ Office and residential growth downtown will support expansion of local-serving retail. This alone will not be enough to solve problem of vacant storefronts or to revitalize retail activity all along Broadway. ▶ Destination retailing in downtown Oakland has been declining. ▶ Need major shopping attractions to recapture destination shopping dollars, otherwise further decline is likely. ▶ Most recent concept proposed for a retail center downtown (Oakland East Bay Galleria) is designed to establish major destination retailing. ▶ Economic feasibility of major retail development has emerged as the critical issue, given the large public sector financial resources that appear to be required. ▶ Some new, smaller scale specialty retailing developments have not been successful. Need to establish market niche to attract enough trade area residents. ▶ Two special retail markets have potential for expansion: Asian-oriented retailing in Chinatown, and entertainment-oriented retailing (restaurants, bars, nightclubs, performing arts) throughout downtown. 	<ul style="list-style-type: none"> ▶ Evaluate alternatives for major destination retailing downtown to address Workshop recommendations and to attempt to define an economically feasible project. Address market, planning and design, and implementation consideration such as: <ul style="list-style-type: none"> - number and type of anchor stores; - orientation to Broadway; - externalized approach; - northern and southern boundaries; - use of existing buildings; - mix of uses; - historic architecture as theme; - equity investment of properties; - development authority; - public sector entitlements; - incentives from historic buildings, and; - developer/pre-investor programming. ▶ Determine priority for recapturing destination retailing in light of other downtown and city-wide objectives as soon as possible. ▶ Depending on priorities, initiate public-private effort to re-establish destination retailing downtown and commit substantial public participation and financial resources to major retail development. ▶ Use zoning and other land use policies to encourage office development to enhance feasibility of new retailing along Broadway. ▶ Use guidelines for new development to encourage active street frontages; monitor amount and location of new ground-floor retail development so that it does not detract from activity in existing retail space. ▶ Consider increased public sector participation in Old Oakland to develop the attractions necessary for a viable project. ▶ Upgrade promotional efforts in support of downtown retailing: target Jack London's Waterfront, Old Oakland, Chinatown, City Center, and downtown eating and drinking and entertainment.

FIGURE 1 (CONTINUED)
SUMMARY OF OPPORTUNITIES AND STRATEGIES RELATED TO ACHIEVING WORKSHOP RECOMMENDATIONS: DOWNTOWN RESIDENTIAL SECTOR

Workshop Recommendations	Nature of Market Support	Strategy Options and Issues
<ul style="list-style-type: none"> ▶ Attract more downtown residential activity. ▶ Lake Merritt Residential: infill development of market-rate housing. ▶ Lake Merritt Civic Center: new housing near BART station. ▶ Chinatown: mixed retail/residential neighborhood; high density housing along Broadway from 11th Street south to Nimitz Freeway. ▶ Old Oakland Area: residential development desired. ▶ San Pablo Triangle: new residential neighborhood with mix of income groups. ▶ South-of-the-Nimitz: live/work housing and waterfront housing along Estuary east of Jack London Square. 	<ul style="list-style-type: none"> ▶ Market interest in developing new housing strongest in the established neighborhoods east of Broadway (Lake Merritt, Chinatown). ▶ Market potentials for new housing west of Broadway more limited; need large enough scale to establish new neighborhood identity; could require substantial public sector participation. ▶ Development of affordable housing largely dependent on public subsidies. ▶ Potential for major new market-rate housing development in the vicinity of the Estuary, in locations that can benefit from nearby water amenities. ▶ May be potential for additional live/work space and loft housing in the South-of-the Nimitz area. 	<ul style="list-style-type: none"> ▶ Maximize potentials for market-rate housing: <ul style="list-style-type: none"> - zoning to support housing opportunity sites; - assistance in developing parking; - resolution of regulatory issues regarding housing along Estuary; and - resolution of code issues regarding live/work and loft housing. ▶ Determine priority for housing strategies that require major commitment of public resources in light of other downtown and citywide objectives. ▶ Depending on priorities, develop longer-term strategy for developing affordable housing and a mix of housing types downtown; make policy decisions to allocate public subsidies; leverage public subsidies to encourage private market potentials; facilitate projects involving other subsidies, financial mechanisms, and/or non-profit sector participation. ▶ Depending on priorities, develop longer-term strategy to use public sector participation and resources to facilitate new neighborhood development on the west side of Broadway: <ul style="list-style-type: none"> - market study; - land assembly; and - improvements to upgrade areas and facilitate eventual market-rate development. ▶ Address gentrification implications of new neighborhood development west of Broadway and of housing South-of-the-Nimitz.

FIGURE 1 (CONTINUED)
SUMMARY OF OPPORTUNITIES AND STRATEGIES RELATED TO ACHIEVING WORKSHOP RECOMMENDATIONS:
OTHER ACTIVITIES AND LAND USES DOWNTOWN

Workshop Recommendations	Nature of Market Support	Strategy Options and Issues
<ul style="list-style-type: none"> ▶ Attract more cultural/entertainment activity downtown. ▶ South-of-the-Nimitz: Jack London area as center for eating and entertainment. ▶ Lake Merritt Civic Center: cultural/educational area. ▶ Old Oakland Area: potential for nighttime entertainment, dining, and cultural uses. ▶ Uptown: retail/entertainment district. ▶ New hotels and entertainment facilities should be located on Broadway. 	<ul style="list-style-type: none"> ▶ This group of land uses includes hotels and arts, cultural, and educational activities, as well as entertainment and recreation. These activities and uses attract people downtown and provide market support for other land uses. They are particularly important in providing activity downtown at night and on weekends. They contribute diversity and interest and reinforce a positive image for downtown. ▶ Future of cultural and entertainment activities downtown relates both to support for the entities and institutions that promote, manage, and perform them as well as to the availability and development of facilities. These activities often require participation and financial support from the private, public, and non-profit sectors. ▶ Strongest market for hotel/motel accommodations downtown appears to be business travel associated with downtown office activity; existing establishments have ability to accommodate some growth; eventual need for additional facilities to serve this market needs further study. ▶ Oakland faces lots of competition in convention/conference market. 	<ul style="list-style-type: none"> ▶ Use public sector participation in developing larger-scale facilities to attract cultural and entertainment uses that would generate activity downtown and provide market support for other land uses. (Facilities could include multi-purpose arena such as proposed Warriors arena and performance spaces such as Fox Theater, Paramount Theater.) ▶ Further evaluate how recommendations for nighttime entertainment, dining, and cultural uses in Old Oakland could be supported by public sector participation in the proposed downtown arena, a performance theater nearby, or other similar uses. ▶ Continue to use public sector support for arts and cultural organizations and for expanded exhibits and activities at strategic locations throughout downtown to add attractions and amenities. ▶ Undertake further market study of opportunities and potentials for hotel development downtown. ▶ Coordinate strategies for these uses and activities so as to support and facilitate other land uses downtown.

FIGURE 1 (CONTINUED)
SUMMARY OF OPPORTUNITIES AND STRATEGIES RELATED TO ACHIEVING WORKSHOP RECOMMENDATIONS:
OPEN SPACE, STREETSCAPE IMPROVEMENTS AND AMENITIES, AND TRANSPORTATION IMPROVEMENTS

Workshop Recommendations	Nature of Market Support	Strategy Options and Issues
<ul style="list-style-type: none"> ▶ Reinforce prominence of Broadway with landscaping, improved maintenance, streetscape elements, and strong entry statements. ▶ Strengthen linkages between downtown activity centers. ▶ Expand and strengthen open space network downtown. ▶ Maintain and celebrate historic resources downtown. ▶ Enhance presence of water downtown with esplanade linking Estuary and Lake Merritt, public fountains, and other water features. ▶ Use gateways to mark special places and highlight neighborhoods; treat flatiron buildings as special places. ▶ Accommodate vehicular needs in manner supportive of pedestrian environment. ▶ Encourage public transit. ▶ Focus transportation improvements on Broadway. 	<ul style="list-style-type: none"> ▶ Open space, streetscape improvements, and other amenities support and enhance market potentials for other land uses downtown. They improve the image and attractiveness of downtown. ▶ Transportation improvements facilitate movement within downtown and support land uses and activity there. They also can enhance access to downtown. ▶ Success of public transit improvements affected by level of activity downtown and density of development along Broadway Corridor. Public transit improvements could require significant subsidy. 	<ul style="list-style-type: none"> ▶ Prioritize and program these improvements over time in relation to development of other land uses and according to their importance and impact. ▶ Decide on sources of funding for development and maintenance of these improvements: <ul style="list-style-type: none"> - public funds; and/or - assessments or levies on private property downtown. ▶ Decide on responsibility for implementation of downtown improvements: <ul style="list-style-type: none"> - City departments; and/or - entity (such as non-profit corporation) created specifically for this purpose. ▶ Work jointly with AC Transit and other agencies on public transit improvements for downtown; address availability of local public resources to assist in funding new systems. ▶ As needed to support the desired pedestrian environment, update guidelines for the provision of parking and for the siting and design of stand-alone parking structures.

DOWNTOWN OFFICE SECTOR

MARKET CONTEXT

The office sector has been and will continue to be the largest employer and strongest commercial development sector in downtown Oakland.

- ▶ About three-fourths of the people working downtown (about 47,000 in 1990) are employed in office jobs including jobs in government offices.
- ▶ There are over 10 million square feet of office space in existing competitive office buildings downtown. About half is Class A space in relatively new buildings and about half is Class B and C space in older buildings.
- ▶ Currently, the overall vacancy rate for competitive office space downtown is in the range of 14% to 16% depending on the inclusion of sublease space. Overall vacancy appears to be lower than average for new, Class A space and higher than average for space in older buildings (Class B and Class C).
- ▶ Government and owner-occupied buildings house office activities in addition to those in competitive office buildings downtown.
- ▶ Government office activity is particularly important in downtown Oakland, representing about 30 percent of downtown office employment (about 13,000 of 47,000 office jobs). All levels of government occupy offices in downtown Oakland: federal, state, regional, county, special districts, and city government.
- ▶ Net absorption of competitive downtown office space--that is, the net additional occupancy of space by business and employment growth after accounting for movement of tenants among downtown buildings, has recently averaged around 300,000 to 350,000 square feet per year. Net absorption in that range represents about one average-size new building per year. (Estimated average annual absorption excludes large government projects and the impact of the Loma Prieta Earthquake.)
- ▶ Generally, downtown Oakland has been attracting cost-conscious office tenants that value its central location in the region, its good transportation accessibility, and its competitively-priced space.
- ▶ Downtown office activity is focused in the Lake Merritt and City Center areas. The Lake Merritt area has about 55% of the competitive office space and about 65% of the Class A space. Most of the rest of the

competitive office space is in the City Center area. New construction has been occurring in both areas.

- ▶ There is the potential for substantial additional office development in the Lake Merritt and City Center areas. In the Lake Merritt area, there are about 1.5 million square feet of office space approved (including the Ahmanson Tower II awaiting a major anchor tenant and longer-term development approved under the Kaiser Center PUD), in addition to the Caltrans project now under construction. In the City Center area, there are 2.0 million square feet planned for office buildings (400,000 square feet approved and awaiting an anchor tenant and 1.6 million square feet proposed for subsequent development), in addition to the Federal government office building now under construction. Although other projects will likely be approved and built before all of this space is developed, in total, the amount of space approved or planned for these areas alone represents 10 to 12 years absorption, at recent average annual levels.
- ▶ There are uncertainties about the downtown office market in the near-term future of the next three to five years. The current recession brings uncertainties about the short-term rate of absorption of competitive office space in the face of slower economic growth. The significant credit "crunch" for real estate development including, in particular, new office buildings, and the existing vacancy rate are likely to limit new office building development to projects with commitments from a major tenant. In the shorter term, greater reliance is likely to be placed on government office tenants than on private sector business expansion to fill current vacancies or to promote the development of new office buildings.
- ▶ Over the longer term of the next 20 years, there is the potential for increased levels of office space absorption. Downtown Oakland is reaching a critical mass that allows it to capture a greater share of the region's office market. Further, declining availability of space both in San Francisco and in closer-in suburban office locations will bolster the appeal of downtown Oakland's central location and of its good accessibility via freeways and public transportation. In addition, Oakland will continue to benefit from the increasing relative importance of the East Bay as a center of business activity and residential development within the region.
- ▶ The supply of potential sites for new office development in downtown Oakland is large relative to potential future office space absorption. Under current zoning and related land use policies, the location and rate of new office building development has been and will continue to be

largely determined by the private market and by public participation in public/private office projects such as City Center.

- ▶ The location of major new competitive office development is likely to stay focused on the existing nodes of office activity in the Lake Merritt and City Center areas for some time into the future. There are approved and proposed projects there, and the established nature of these areas enhances their abilities to compete for office tenants.

There is potential for new office development in more peripheral downtown locations to the north and northwest of Kaiser Center and to the northwest of City Center. There also is the potential for additional new office development moving westward from the Lake Merritt office area to Broadway in the vicinity of 20th and 19th streets. Large office developments in this vicinity and to the south along Franklin Street have generally been owner-occupied office buildings as are projects currently being considered there.

The path of office development also could be influenced by local government decisions regarding the Retail Center project and the permanent location of City government offices.

- ▶ Over time, small, lower-rent-paying office tenants are likely to absorb additional office space in older, existing buildings downtown. There also is the possibility for increased interest in space in renovated older buildings downtown.

WORKSHOP RECOMMENDATIONS

Workshop recommendations to which the office sector is of particular relevance are summarized in Figure 2. Review of these recommendations within the market context described above identifies strategy options and related issues concerning future downtown office growth and achievement of Workshop recommendations. These strategies and issues are discussed in the rest of this chapter.

STRATEGIES RELATED TO FUTURE OFFICE GROWTH AND TO ACHIEVING WORKSHOP RECOMMENDATIONS

Office Sector is Strongest Economic Sector Downtown

Office growth in downtown Oakland adds people and activity downtown. Office growth represents employment growth and additional job opportunities. Office growth also provides additional support for retail, eating and drinking, entertainment, and cultural activities.

FIGURE 2
WORKSHOP RECOMMENDATIONS TO WHICH THE OFFICE SECTOR
IS OF PARTICULAR RELEVANCE

Encourage Managed Growth in the Downtown

- ▶ Attract more downtown office activity.
- ▶ Maintain existing diversity of uses.

Preserve Integrity of Downtown Neighborhoods

- ▶ Downtown Core: should function as center of downtown; should continue as important office concentration; historic character important in creating a memorable downtown and should be preserved; retain existing City Hall and the Rotunda; retain the Broadway Building if at all feasible or replace with open space or another signature building.
- ▶ Lake Merritt/Kaiser Center Office District: should continue as important office concentration; should strengthen connection between the Lake and office development and the Uptown district at Broadway.

Build Upon the Existing Downtown Structure

- ▶ Reinforce the prominence of Broadway: linkages between Kaiser Center area and Broadway; linkages between City Hall area and Broadway; locate high-rise, signature buildings along Broadway to highlight its importance; surface parking lots on Broadway should be replaced with a continuous wall of active building uses.
- ▶ Strengthen other linkages between downtown activity centers: preserve pedestrian character of 17th Street; reinforce linkages between Kaiser Center area and Broadway such as at 19th and 20th streets.

Strengthen Attributes which Contribute to Sense of Place

- ▶ Historic resources: should be maintained and celebrated where possible; preservation of historic structures especially important in areas where new development threatens them with demolition; Rotunda and Broadway Building could be part of City Hall complex; historic structures damaged in recent earthquake should be repaired where possible and fate of damaged buildings should be resolved soon.
- ▶ Landmarks: treat Broadway Building and Cathedral Building as special places contributing to character of downtown; either preserve Broadway Building or assure that new development provides special treatment of this location.

The office sector is expected to continue to be the largest employer and strongest commercial development sector downtown. The future of the downtown's economy is very much dependent on the downtown office sector as is achievement of various Workshop recommendations for downtown.

Actions to Support and Enhance the Market Potential for Office Growth

There will be market support for future office growth in downtown Oakland. The extent that market potentials are realized will be influenced by local actions to support and attract office activities. Although the office market is the strongest economic sector downtown, it is not so strong that it can be taken for granted and expected to prosper without continuing local support. A strategy to support and enhance market potentials for office growth is particularly important because of the relative strength of this sector and the benefits to be gained with relatively small effort in terms of public sector participation and financial resources.

A strategy to support and encourage office growth should focus on local efforts that would enhance the downtown's ability to compete for office tenants. As identified previously in the market context section, downtown Oakland's advantages have been in attracting cost-conscious office tenants that value its central location in the region, its good transportation accessibility, and its competitively-priced space. Local actions that would attract office growth in the future are those that would:

- ▶ assure the availability of competitively-priced space by not burdening the office sector with fees and other requirements and by maintaining an ample supply of sites for office development;
- ▶ enhance the attractiveness of downtown through additional physical amenities, additional support activities such as retailing, and enhanced security and safety; and
- ▶ market downtown Oakland in a positive light, increasing knowledge of the advantages of a downtown location, improving the downtown's image, and offering a positive perception of Oakland's support for business activity and development in the downtown area.

The availability of competitively-priced space is extremely important to downtown Oakland's ability to compete for office tenants. Thus, it is important that the office sector not be burdened with substantial fees or other requirements that add to the costs of doing business in the downtown area. The office sector is not so strong that it can be tapped for additional benefits without adversely affecting its competitive position. The availability of an ample supply of sites for developing office space is also important for providing competitively-priced space options. The supply of opportunity sites is currently very large relative to demand and, as discussed in the next section, regulatory changes to help achieve other objectives should be undertaken

without constraining the supply of opportunity sites in ways that adversely affect the office market.

The physical attractiveness of the downtown, the availability of retailing and other services, as well as security/safety also affect the downtown's ability to compete for office tenants (although they are secondary to factors of regional location, accessibility, and competitively-priced space). The Workshop produced various recommendations regarding open space, streetscape improvements, and other amenities that could benefit the office sector. As discussed in the last chapter of this report, priority could be given to those improvements that would be of most benefit to office and other uses and that could act as catalysts for revitalization. In the immediate future the attractiveness and image of downtown also could benefit from repairs and improvements to earthquake-damaged buildings as discussed later in this chapter. Retailing and other services could be encouraged to expand in ways that enhance the vitality of downtown streets and reinforce the existing office districts as described in the retail chapter. Safety and a sense of security downtown also are important to office tenants. In this regard, public and private sector support for maintaining a physical presence of police officers and private security personnel on downtown streets should be continued.

The future of the downtown office sector also could be influenced by public and private efforts to market and generally support office growth. Elements of a marketing strategy could include: press releases highlighting major accomplishments and developments downtown as well as ongoing efforts to maintain a favorable relationship with major Bay Area newspapers; disseminating information about the attractions and advantages of a downtown Oakland location aimed at the business, real estate, and development communities; disseminating information about efforts of the Oakland community and of City government to support downtown business activity and development such as the recent report on a vision for downtown Oakland and the results of subsequent planning efforts; and developing a tenant recruitment campaign with emphasis on supporting development interests in attracting major "lead" tenants for new office projects.

It also is possible to attract office activities with economic incentives such as the write-down of land values, long-term land leases with discounted rental values, and other publicly-supported benefits. In general, the relative health of the office sector suggests that such incentives be used only under the following conditions: the office activities would not otherwise choose an Oakland location, the resultant development and activity achieved city objectives that could not otherwise be met, and/or the resultant development and activity served as a catalyst for additional benefits.

New Policy Direction and Overall Strategy For Using the Office Sector to Achieve Various Workshop Recommendations

The office sector could play a role in achieving many of the recommendations for downtown identified by the Workshop. The office sector potentially could:

- ▶ help in revitalizing activity along the Broadway Corridor and in linking the two existing nodes of office activity in the Lake Merritt Office and City Center areas;
- ▶ enhance the feasibility of major, mixed-use retail development downtown;
- ▶ provide the revenue stream needed to resolve the situation for some earthquake-damaged buildings and their sites; and
- ▶ generate tax increment revenues for non-office projects and/or desired improvements to enhance downtown.

The office market is unlikely to achieve the above objectives in the foreseeable future without new policy direction from the public sector. **New policy direction would require commitment to influencing the location of future office activities downtown and to coordinating and leveraging planning and program decisions affecting the office sector.** That could be achieved by a master office strategy for downtown Oakland that would update land use policies and regulations and coordinate other public sector decisions. More specifically, new policy direction could be used to:

- ▶ review and revise zoning and other land use regulations to influence the path of future office building development so as to help revitalize Broadway, link the two existing office nodes, enhance the feasibility of major mixed-use retail development, and protect existing areas and buildings that are important to downtown's fabric and "sense of place";
- ▶ ensure that decisions regarding the permanent location of City government offices, the future use of publicly-owned parcels with office potentials, and the use of economic incentives for development as well as decisions regarding public sector participation in or support for individual projects support the strategy of focusing future office growth on the Broadway Corridor;
- ▶ ensure that urban design guidelines for office development are consistent with Workshop recommendations dealing with urban design, character, pedestrian/human scale, street level retail (discussed further in the retail section), etc.; and

- ▶ ensure that support facilities and services are close to major office concentrations (parking, parks and open space, retail services for supply and repair, day care services, etc.) and that office developments are relatively close to major public transit systems.

Strategy Options and Related Issues

Aspects of a master office strategy addressing the Workshop recommendations are discussed in more detail below. The discussion identifies particular strategy options using the office sector to achieve different objectives and identifies what could be involved in pursuing each.

Potential to Influence Path of Future Major Office Building Development

There is the opportunity to influence the path of major office building development in the future to encourage more office growth in the direction of Broadway, along Broadway, and in other nearby locations. **Because the number of potential sites for new office development under existing policy is very large relative to absorption, a strategy that coordinates changes in zoning with decisions regarding the permanent location of City government offices and the use of publicly-owned parcels could succeed in encouraging future office development in a more centralized area.** Such a strategy would help achieve the objectives of revitalizing Broadway, linking the Lake Merritt Office and City Center areas, and enhancing the feasibility of mixed-use retail center development.

Although new office development is likely to stay focused on existing nodes for some time into the future, commitment to a strategy encouraging more centralized development over the longer term could be useful in the shorter term by precluding individual projects that might be proposed in peripheral areas, providing policy direction to both the private and public sectors, and encouraging other uses in locations where owners might otherwise continue to hold their land for eventual office use.

Regulatory Actions. Regulatory actions to guide the path of office development could include zoning changes to affect the size and scale of new development as well as permitted uses in certain locations. Regulations regarding density, height, bulk, etc. could be used to limit the amount of permitted development in peripheral locations and to provide incentives for larger scale development in central locations. Determining the specifics and locations for such zoning would require examining different subareas and sites throughout downtown to identify where to limit and where to encourage development of large office buildings and expansion of office uses. It also would be important to evaluate the opportunity sites retained for office development to assure that their number and location would not constrain and adversely affect the office market.

Within the central core of downtown, there are areas with attractive small-scale development (such as along 15th and 17th Streets between Broadway and Webster) as well as historic buildings that contribute to downtown's "sense of place". The Workshop recommendations call for preserving and strengthening these attributes. However, a strategy to contain new office development in a centralized area would likely increase development pressures on these areas and resources. Thus, a containment strategy for office development should include designating areas and/or locations where new highrise development would not be allowed (where height limits and other regulations would be enacted to limit development potentials), and enacting protections for the scale, character, and historic nature of existing buildings there through design controls, historic districts and designations, and similar provisions.

A strategy for influencing the path of future office development could be implemented in coordination with strategies for achieving other Workshop recommendations. For example, enhancing residential development potentials downtown could include establishing areas where housing would be the primary use (see discussion in residential chapter later in this report). At the same time, to maintain and enhance desirable attributes of downtown, some existing buildings would be designated to be protected and saved. Thus, a comprehensive approach would involve identifying boundaries for containing new office development and at the same time identifying areas to be preserved and areas where other uses besides office were to be encouraged and attracted, in addition to identifying peripheral areas and boundaries beyond which office building development would not be desirable.

Public Sector Decisions. The future path of office activity and development downtown also will be influenced by decisions regarding the permanent location of City government offices and the future use of publicly-owned property with potential for office development. **The City could use those decisions to further bolster an overall strategy to encourage office activity and development in the vicinity of Broadway.** Short of that, it is important to recognize that those decisions will affect the office sector and its ability to support the recommendations of the Workshop.

The repair of City Hall and the decision to locate other City government office activities on the Broadway side of City Hall Plaza could achieve several Workshop recommendations. It could re-establish activity in unoccupied, earthquake-damaged buildings (Rotunda and/or Broadway Building) and/or on their sites, could establish and enhance the area as the visible center of local government, and could serve as a catalyst to revitalize activity along Broadway in the vicinity of 14th Street, one of the most visible and important locations in downtown Oakland. It also could reinforce strategies for establishing major retailing on or in the vicinity of Broadway (as discussed in the retail chapter). Decisions regarding the specific location and buildings for City government offices in this area should be coordinated with possible planning for major retail development (see discussion in retail chapter).

Decisions regarding office development on publicly-owned sites along Clay Street behind City Hall also are important and raise policy issues. While these sites could house City government offices, locations on the Broadway side of City Hall Plaza are clearly preferable from the perspective of revitalizing the Broadway Corridor. The sites on Clay Street could provide relatively attractive locations for other office uses, particularly after the new Federal office building is completed. However, such office development in addition to that planned for the rest of the City Center project area would represent a large amount of office space relative to absorption for a long time into the future. Further, office development both along Clay Street behind City Hall and in the western blocks of City Center would attract some office uses that otherwise would locate elsewhere in downtown, some in more central locations (at least for a while into the future). Thus, policy decisions to influence the path of future office development must weigh the benefits of developing in these areas vis-a-vis those of encouraging more office development on Broadway or in closer proximity to it. Consideration of office uses in the vicinity of Clay Street and to the west should include evaluating how those locations compete with other downtown locations, the shorter- and longer-term effects of office development there on the path of future office growth downtown, and the implications for achieving Workshop recommendations for downtown.

Other decisions regarding the use of publicly-owned or controlled parcels could affect the path of future office growth downtown, although they are likely to be of less overall significance. There is the possibility of office development of City-owned property on Broadway between 11th and 12th Streets if planned hotel development did not occur there. Office development in that location would enhance Broadway and support an overall strategy of more centralized development. There also is the possibility of additional office development on Port of Oakland property in the vicinity of Jack London Square. Additional office development on Port property would raise issues of whether such development would attract uses that otherwise would locate in the more central parts of downtown.

Potential to Use Office Development to Enhance Feasibility of Major Retail Center Downtown

Office development could enhance the feasibility of major retailing downtown. A strategy to encourage office development in more central locations and limit it on the periphery would enhance the market potential for office development above or in the vicinity of major new retail uses. Conversely, office development in more peripheral locations could compete for tenants that otherwise might be attracted to more-retail-enhancing office development in central locations. As described in the next chapter, combining office and other uses with major retailing could be particularly important to the economics of retail development.

A strategy to encourage office development in more central locations also would result in the daytime working population being relatively close to the major concentration

of retail facilities if a retail center project were built in the Uptown district. An important synergy could develop whereby both retail and office uses benefit from proximity to each other.

While office building development could enhance the feasibility of a retail center, major retail development would benefit the downtown office market. There would be somewhat more total absorption of office space downtown than otherwise expected, because major retailing would enhance the City's overall image and enhance the attractiveness and desirability of downtown. In addition, major retailing would enhance the attractiveness of office locations in the vicinity, helping to revitalize the Broadway Corridor and to link the two existing office districts.

Potential to Use the Office Sector to Resolve the Situation for Earthquake-Damaged Buildings

The future for earthquake-damaged buildings is currently an important issue for downtown Oakland and the Broadway Corridor. Many prominent older office buildings remain unoccupied and in disrepair (City Hall, Broadway Building, Rotunda, office building at 13th and Broadway, Key System Building, plus numerous other buildings along Broadway and in the vicinity). This situation continues to have a negative effect on the environment and image of downtown Oakland. The office sector holds the most potential for providing revenues to support or contribute either to repair of those buildings or to new construction on their sites.

The lack of activity related to the damaged buildings is attributable to several factors. Much of the explanation for why repair work has not been done is that the costs of repair and retrofitting to the required standards are high relative to anticipated revenues for space in these buildings. Demolition for new construction has not occurred because it does not represent a feasible option for most of these sites within the foreseeable future. Uncertainties about the office market, difficulties in obtaining financing, and reluctance/inability to invest additional capital also could be contributing to the inactivity.

A strategy is needed for resolving the situation for earthquake-damaged buildings. The City has stepped forward and is considering a mandatory abatement program. Such a program raises issues and questions about the effectiveness of various incentives and policy choices as well as how to structure a program to encourage the desired outcomes for the damaged buildings. A strategy directed to resolving the situation for earthquake-damaged buildings could have immediate benefits and should continue to be given high priority.

Workshop recommendations give high priority to retaining and repairing damaged buildings. There are specific recommendations that buildings of historic and architectural merit be repaired if at all possible because of their importance to the character and "sense of place" downtown. There is particular interest in the damaged

buildings in prominent downtown locations. There also are broader recommendations that call for the revitalization of activity along the Broadway Corridor. Given the expected market context, in which new construction is unlikely on the sites of many damaged buildings for the foreseeable future, Workshop recommendations to restore active building uses along Broadway also provide support for the repair of damaged buildings. Without repair, the abatement of earthquake damage could result in several additional vacant lots along Broadway.

The following text discusses questions and issues to be addressed in formulating policy and a program for the abatement of earthquake-damaged buildings downtown. The comments are oriented to developing a program that would be part of a larger downtown strategy for achieving the recommendations of the Workshop.

Questions about the Feasibility of Repairing Damaged Buildings. It will be important to independently address questions about the economic feasibility of repairing damaged buildings for office use.

There are issues of the extent, types, and costs of needed repairs and structural upgrading that are dependent on the characteristics of damaged buildings, the extent of damage, and on City requirements for repair and upgrading work. Consideration should be given to identifying differences in costs under different City requirements for repair and upgrading.

There also are issues of revenues and obtainable office rents for space in the damaged buildings, and of how those rents compare with what would be needed to cover repair costs (under current and/or alternative requirements). Regarding obtainable rents, analysis should focus on the market for improved space in older buildings at rents below those for newly built space and above those for unimproved, older space (such as in the range of \$1.35 to \$1.75 per square foot per month). Further assessment of this market is needed with particular attention to the locations and characteristics of earthquake-damaged buildings, as is identification of the types of improvements that would be attractive to tenants potentially in this market. Despite relatively high vacancy rates in Class B and C space downtown, there could be potentials for upgraded space in attractive older buildings in relatively desirable locations.

The results of such analysis would identify the conditions under which repair of damaged buildings would be feasible, including whether changes in repair and upgrading standards could make a difference, the extent that financing alternatives could provide incentives, whether other incentives and financial assistance also would be needed, and the types of improvements (if any) that should be done along with repair work for purposes of attracting the appropriate tenants.

Issues of Historic Building Status. Many of the damaged buildings have been identified as important to the historic and architectural fabric of downtown Oakland. The feasibility analysis discussed above would identify the conditions under which repair of

these buildings would be feasible. That information in combination with information about the historic and architectural significance of buildings could be used to set priorities regarding the public sector's interest in retaining certain buildings because of their merit and importance to downtown.

Decision Regarding Permanent Location of City Government Offices. The decision to locate City government offices in one or more earthquake-damaged buildings and/or on one or more of their sites would provide the revenue stream needed to resolve the situation for those buildings. Such a revenue stream would make a significant difference in the economic feasibility of repairs or new construction in the near future and in securing necessary financing. From the City's point of view, as described earlier in this chapter, the decision to locate in earthquake-damaged buildings and/or on their sites could offer advantages in addition to accommodating office space needs. City government office activity could re-establish activity in unoccupied, damaged buildings and/or their sites, could serve as a catalyst to revitalize activity in the vicinity, and could preserve buildings that are of merit and importance to downtown's fabric and sense of place. Any actions the City could take to encourage other government agencies to locate in earthquake-damaged buildings or on their sites also could be beneficial to downtown.

Needs for Other Public Sector Assistance and Participation. Depending on the outcome of the feasibility analysis, consideration could be given to other possible incentives or financial assistance that could be made available for purposes of repairing and reopening damaged buildings. As discussed above, the rationale for such assistance would be the overall benefits of restoring activity in prominent locations, preserving important building resources, and contributing to the larger strategy of revitalizing the Broadway Corridor. The benefits also could be described as avoiding the addition of vacant lots downtown, particularly in visible and prominent locations. Priorities among damaged buildings should relate to the overall strategy and policy direction taken for downtown as discussed in this and other chapters of this report.

Potential Issues Related To All Unreinforced Masonry Buildings Downtown

Alternatives for the seismic retrofitting of all unreinforced masonry (URM) buildings in Oakland are now under evaluation by the City. There are a large number of URM buildings downtown (including some of those damaged by the earthquake and many others). Many of the buildings along Broadway are constructed of unreinforced masonry including the large, older office buildings and many of the retail and mixed commercial buildings. Developing planning strategies for office and other uses downtown must address issues of the feasibility of seismic retrofitting under the requirements that could be adopted. Similarly, developing a seismic retrofitting program for URM buildings must be coordinated with downtown planning efforts to implement the vision and recommendations of the Workshop. It is likely that trade-

offs will be required in seeking to "balance" the benefits of seismic upgrading with the costs and potential loss of buildings and activity downtown.

Potential Use of Office Sector to Generate Tax Increment Revenues

The office sector provides the potential for generating tax increment revenues for non-office projects and/or desired improvements to enhance downtown. Generally, the strategies discussed in this section for supporting and attracting office growth and for using the office sector to achieve other objectives for downtown do not require large subsidies or the commitment of substantial public funds. The general approach is to develop an overall strategy for encouraging the office sector and for leveraging that activity to achieve other goals.

Later sections of this report identify other objectives for downtown that would require more significant public financial support (such as those related to the retail and residential sectors). Decisions to pursue those objectives are likely to highlight the importance of the office sector and of downtown office development as an important, high-priority strategy for downtown revitalization.

RETAILING IN DOWNTOWN OAKLAND

MARKET CONTEXT

For downtown Oakland, there are three categories of retailing to consider: destination shopping by inner East Bay residents; retailing supported by downtown residents, workers, and businesses; and special retail markets.

Trade Area Destination Shopping

- ▶ Destination shopping is defined primarily as the spending of trade area residents of the inner East Bay (including the communities of Albany, Berkeley, Emeryville, Oakland, Piedmont, and Alameda) for clothing and accessories, home furnishings, general merchandise, gifts, and other specialty items (often referred to as "shoppers goods").
- ▶ Trade area residents currently spend their destination shopping dollars in many different shopping centers and areas. A large share is spent outside the inner East Bay in areas surrounding the trade area that offer a large selection of stores and merchandise, including shopping areas and centers with several major department stores (San Francisco, Walnut Creek, Hilltop Mall, Bay Fair Mall, etc.). A large share also is spent within the trade area at smaller shopping centers and areas and in neighborhood shopping districts. A relatively small share (about 8% of trade area residents' destination shopping dollars) is now spent in downtown Oakland.
- ▶ Destination shopping in downtown Oakland currently focuses on the Emporium and other stores that attract the spending of trade area residents (I. Magnin, Irene Sargent, special "niche" stores like Selix Formalwear and Best Music Co., and some component of the sales at shoe, jewelry, and other stores). Destination shopping also includes the "off-price" home furnishing stores south of the Nimitz.
- ▶ Destination retailing has been declining in downtown Oakland. The downtown no longer functions as a major destination shopping area in the East Bay.
- ▶ Increases in destination shopping in downtown Oakland would require changes in established shopping patterns such that dollars of trade area residents that otherwise would be spent elsewhere would instead be spent downtown. To successfully compete with other areas, the downtown needs major additional shopping attractions to provide the reason for additional trips and spending downtown.

- ▶ Without retail expansion downtown that offers the critical mass of stores and attractions that could change shopping patterns, significant improvement in destination retailing downtown is not expected, and further decline in destination shopping is likely.
- ▶ The most recent concept proposed for a retail center downtown (Oakland East Bay Galleria) is designed to establish downtown Oakland as a much stronger competitor for the destination shopping dollars of trade area residents. The proposal includes about 1.1 million square feet of retail space. Department stores would be the major attractors. The proposal is designed to capture about 20% of the dollars of trade area residents that otherwise would be spent outside of downtown Oakland. Debate on the proposal has focused on its high public sector cost and on physical layout and design considerations that relate to its benefit for nearby areas.
- ▶ The economic feasibility of major retail development downtown has emerged as the critical issue for retail center development, given the large amount public sector financial resources that appear to be required. Attention has focused on questions of what could be done to lower the cost of a major retail project, as well as whether a smaller, less costly project could be successful. Further evaluation is needed to respond to these questions.
- ▶ Re-establishing downtown as a destination shopping area will require a joint public/private effort. Whether major retail expansion occurs downtown in the future depends on the financial resources available to the public sector, on public sector decisions regarding spending priorities, and on the public policy question of whether the benefits of destination retailing downtown justify the requirements and costs.
- ▶ On a smaller scale, other new downtown projects have attempted to attract the spending of trade area residents for specialty retailing, smaller-scale apparel and accessory stores, and other similar shopping. These include the new development at Jack London Waterfront and Old Oakland. To be successful these projects need to differentiate themselves from the types of shopping already available in the trade area and/or provide special attractions to bring people (who do not live or work downtown) to the downtown area instead of to other specialty shopping locations.
- ▶ To date these efforts at specialty retailing have not been successful. They may have been handicapped by the pending retail center project (specialty shops are more likely to want to locate in the center if it is built). They have not been able to attract tenants that could draw trade

area residents to downtown Oakland. The local spending of those who live or work downtown is not large enough to support the specialty retailing that was planned.

- ▶ Uncertainty remains as to the eventual success of existing projects. In general, additional, small, specialty retail projects that depend on the spending of trade area residents are unlikely downtown unless they can offer particularly unique attractions or unless they serve special markets of the types described later in this section.

Local Retailing Supported by Downtown Residents, Workers, and Businesses

- ▶ Local retailing is defined primarily by the spending of downtown workers and residents for eating and drinking, convenience retailing (food, drugs, cosmetics, etc.), and some specialty clothing and accessories, and general merchandise items. It also includes the spending of downtown businesses for materials and supplies.
- ▶ Currently, this local market provides the primary support for much of downtown retailing. Eating and drinking establishments, those offering convenience goods and services (drug stores, flower shops, film processors, cleaners, barbers, etc.), and stationers and office supply stores depend on the local markets as do most other smaller stores and shops downtown at least to some extent.
- ▶ The support for local retailing has been growing primarily as a result of downtown office growth and will continue to grow in the future as office activity increases. Residential development downtown also supports local retailing; that support will grow in the future as well.
- ▶ Local retailing tends to be located near the markets it serves. Currently, local retailing is active in the vicinity of Broadway and City Center, on the southwestern end of the Lake Merritt office area, and on side streets east of Broadway between City Center and the Kaiser Center area. Chinatown retailing also serves the local market as well as a broader market (as described under special markets below). Large storefronts along Broadway north of 14th Street that once served destination retailing generally have not been adapted to local retailing use. Their location is more distant from active office and residential areas, and the physical spaces are not always well suited to small-scale retailing.
- ▶ In the future, support for additional local retailing will generally follow the path of office and residential development. The extent to which growth of local retailing will result in occupancy of currently vacant

storefronts downtown will depend on the location of future office and residential growth and on the extent to which those new office and residential development projects incorporate successful retail space.

- ▶ The amount of retail space potentially available to serve local retail markets (existing and potential new space) is large relative to the amount of retail activity supported by local spending both now and in the future. Thus, while local retailing downtown will grow, this market alone will not solve the problems of vacant storefronts downtown (at least not for a long time) nor is it likely to result in revitalized retail activity all along Broadway.

Special Markets

- ▶ In addition to the above, there are currently two other markets for retailing in downtown Oakland. They offer opportunities for expansion in the future. They include:
 - ▶ Asian-oriented retailing in Chinatown that serves people from the local area (downtown residents and workers) and attracts people from a much larger area (elsewhere in Oakland, the greater East Bay, and other parts of the region). Chinatown retailing (including convenience and specialty shopping as well as eating and drinking) is particularly active and healthy, and future growth is expected. A relatively large amount of retail space is being added to further serve this market (including 100,000 square feet currently under construction in the Pacific Renaissance Center project).
 - ▶ Entertainment-oriented retailing that attracts people from throughout the East Bay as well as serving a local market. The restaurants, bars, and nightclubs in Jack London Square and nearby locations currently serve this market. Another component is that associated with performing arts, sports, special events, and other entertainment/cultural attractions throughout downtown. Growth of entertainment-oriented retailing downtown will depend on the addition of facilities that will attract patrons (such as nightclubs, jazz and other music clubs, major restaurants and bars) and on the growth of facilities and events (performing arts, theater, sports, special events, etc.) that will attract patrons who will support additional eating and drinking in the downtown area. (This latter group is discussed under other land uses in a later chapter of this report.)
- ▶ Currently, there is some tourist spending for retailing in downtown Oakland that adds some support to all of the types of retailing identified

above. Tourist spending, by itself, is not a major factor in downtown retailing.

WORKSHOP RECOMMENDATIONS

Workshop recommendations to which the retail sector is of particular relevance are summarized in Figure 3. Review of these recommendations within the market context described above identifies opportunities, strategy options, and related issues concerning the future of retailing downtown and achievement of Workshop recommendations. These opportunities and issues are discussed in the rest of this chapter.

OPPORTUNITIES, STRATEGIES, AND ISSUES RELATED TO FUTURE RETAILING DOWNTOWN AND TO ACHIEVING WORKSHOP RECOMMENDATIONS

Retailing Enhances Vitality of Downtown

The vitality of downtown streets is directly linked to the activity in ground floor space along those streets. There is little question that in order to have high concentrations of pedestrian traffic along busy streets, ground level activity on those streets must be animated. Retailing is a major source of ground level activity.

Retailing also can be a major attractor of people downtown, people who would not otherwise come downtown if it were not for the shopping and eating and drinking opportunities available there. Major shopping downtown provides convenient opportunities for residents of Oakland and nearby communities. Shoppers attracted to downtown provide retail sales dollars and sales tax revenues that otherwise would go to shopping areas in communities outside of Oakland.

Active retailing downtown also contributes positively to downtown's overall image. The availability of shopping and eating and drinking opportunities downtown enhances other land uses as well.

Opportunities and Issues Related to the Future of Retailing Downtown

Workshop recommendations focus on the desirability of active retailing in "vitalizing" the Broadway Corridor and in developing an attractive and populated downtown streetscape. Implementing the recommendations requires an understanding of the future of retailing of various types downtown so that priorities can be set on the various strategy options available.

FIGURE 3
WORKSHOP RECOMMENDATIONS TO WHICH THE RETAIL SECTOR
IS OF PARTICULAR RELEVANCE

Encourage Managed Growth in the Downtown

- ▶ Attract more downtown retail activity: new destination retailing desirable.
- ▶ Maintain existing diversity of uses.
- ▶ Create a 24-hour downtown.

Preserve Integrity of Downtown Neighborhoods

- ▶ Chinatown: maintain as a mixed retail/residential neighborhood.
- ▶ Old Oakland Area: a potential center for nighttime entertainment dining, and cultural uses.
- ▶ Downtown Core: increase ground floor occupancies; new development to be required to house street-activating uses on ground floors.
- ▶ Uptown: continue as a retail/entertainment district; major new retail development should be integrated with existing downtown; consider potential for open space block around which retail stores would be arranged; consider Rotunda as southern anchor to retail development and/or consider major department store north of Fox Theater; consider retail development as being phased rather than developed all at once.

Build Upon the Existing Downtown Structure

- ▶ Reinforce the prominence of Broadway: continuous string of active uses should be encouraged on ground floors along Broadway; proposed major retail development in Uptown area should have a Broadway frontage; building bases along Broadway should be required to open onto the street with active uses.

Strengthen Attributes Which Contribute to Sense of Place

- ▶ Historic resources: maintain and celebrate where possible; integrate into retail development; suggested that Rotunda could house a major department store.

Encourage a Pedestrian Quality Downtown

- ▶ Emphasize continuous street-level activity; vacant storefronts, blank building bases, and surface parking lots are undesirable.

The single most important issue relates to exploiting the significant opportunity for major destination shopping in downtown Oakland. Workshop recommendations call for new destination retailing downtown and recognize the catalytic effect that major new retailing could have on downtown revitalization. Development with significant critical mass and several highly attractive anchor stores would be required to establish downtown as a major shopping area and to significantly increase retail activity along Broadway.

The policy decision regarding whether to undertake major retail shopping development downtown is a particularly important one. Although growth of retailing supported by local and special markets will gradually increase vitality downtown, growth of those markets alone without new destination shopping will not be significant enough to make the kind of major changes needed to significantly increase retail and other activity along Broadway and to substantially change the situation of vacant storefronts and lack of street-level activity. While the benefits of major destination retailing would be substantial, however, such an undertaking would require significant public sector participation and resources. It is possible that the magnitude of public financial resources required may not be available. Assuming an economically feasible scheme were developed, there are trade-offs to consider: for a period of time, priority for public resources would have to be given to retailing over other possible uses of those funds.

At this point, the strategy option to address prospects for major retail shopping downtown involves undertaking further evaluation of alternatives to address Workshop recommendations and to attempt to define an economically feasible project. That evaluation could address market, planning and design, and implementation considerations.

Strategy options for specialty and local-serving retailing in other parts of downtown include completing existing retail projects and encouraging and promoting retailing that serves local and special markets in ways that enhance the vitality of downtown streets, reinforcing the districts along Broadway and tying them together. Such strategies could involve regulatory actions as well as some public sector participation.

The rest of this section discusses the future of downtown retailing of various types in terms of these strategy options for implementing Workshop recommendations.

Strategy Options for Major Retail Shopping in Downtown Oakland

Retailing Concept. The significant, unsatisfied retail development opportunity for downtown Oakland is for destination-oriented retailing providing shoppers goods services and facilities to attract residents from throughout the East Bay. Significant critical mass and several anchor stores (department stores or other high-volume stores) would be required to establish downtown as a major shopping area and to provide the

attractions needed to reverse established patterns of retail expenditures flowing to shopping areas outside the local area.

A major destination-oriented shoppers goods retailing complex is the type of development that would be successful in establishing downtown as a major shopping area and in significantly increasing retail activity in the Uptown area. Specialty retailing alone would not address or capture the significant market opportunity offered by major shoppers goods retailing. Further, downtown Oakland already has a fairly strong representation of either successful or potentially successful specialty retailing districts.

Within the overall concept of destination-oriented shoppers goods retailing, there are alternatives and options related to planning and implementation considerations that define the specific project or complex. The recently proposed retail center project (Oakland East Bay Galleria) is one alternative. The recommendations of the Workshop suggest another alternative in terms of planning and design considerations, as discussed later in this section. Other options discussed in the following paragraphs address issues of scale, orientation, and economics. In addition, this report identifies implementation strategy options that might enhance the feasibility of any of these options.

Decision-making about the possibilities for major retail expansion downtown should not be delayed further. The market opportunity for major retail expansion exists today and should be exploited as soon as possible. The fact that a prospective developer garnered the support of several major department stores provides momentum and a window of opportunity for attempting to negotiate an implementable program. Strong leadership in devising an implementable program would enhance the credibility and image of the City of Oakland and of a retail center project in the eyes of both private sector interests and the general public. Moreover, it is possible that developments elsewhere in the market area will emerge and pre-empt, in whole or in part, the market opportunity currently available to downtown Oakland. Finally, as time elapses, further decline in shoppers goods retailing downtown is likely to increase the difficulty of re-establishing major shopping in the downtown area. To ensure that all options have been explored and to guide the decision-making process, the following discussion identifies options for further consideration.

Project Size, Number and Type of Major Stores, and Phasing. From a marketing perspective, establishing major retail shopping in downtown Oakland **would require a critical mass of stores and attractions** to identify downtown as a competitive, regional, destination shopping area. Critical mass would be important in reversing perceptions and attitudes about the current image of retailing in downtown Oakland. The authors of this report believe that the critical mass threshold is in the order of one million square feet of leasable retail space (including both major stores and smaller shops).

A critical mass of retailing also is important in providing incentives for development of other land uses and for additional retail uses in subsequent phases. It is strategically important that a critical mass of retailing act as a catalyst for other developments--both on-site and in surrounding areas--that would serve to offset, directly or indirectly, the public sector resources employed to bring the retail development to fruition.

Critical mass requires the presence of major "anchor" stores to provide the primary attractions for shoppers. Critical mass for "anchor" stores relates to both the number of stores and the total square footage of space, as well as to the merchandise spectrum of the selected stores. The number and mix of department stores in the recent retail center proposal would provide a strong foundation for retail development in downtown Oakland. That proposal would include three new department stores: Macy's, Nordstrom, and J.C. Penny. In addition, the complex would include the Emporium already located in downtown Oakland and, possibly, an expanded I. Magnin store. In combination, these stores represent a spectrum of both merchandise and price that would provide the necessary base for attracting a strong selection of mall stores, ranging from as much as 300,000 to 350,000 square feet in aggregate leasing area.

The economics of a scheme built around such department stores are complicated and ultimately do not favor the landlord (in this case, the City). Developing new department stores, particularly in downtown areas, has become increasingly expensive. Even in suburban locations, department stores have been able to negotiate preferred real estate arrangements in response to landlord demands for "anchor" tenants. As a result, efforts should be made to ensure that the number of department stores and the amount of space provided for them is kept within reasonable parameters--not so little as to jeopardize the "critical mass" threshold, but not so much as to exacerbate the significant subsidy required to finance these retailers.

Such economic considerations must be balanced against the recognition that the critical mass of attractions offered by four or five major stores is extremely important to the success of a retailing scheme of the type suggested by Workshop recommendations. Thus, rather than reducing the number of department stores, efforts to reduce the overall cost might be better focused on reducing the amount of space for each, on potential cost savings in the building and parking standards assumed, and/or on negotiating less costly arrangements.

If efforts to reduce costs for department stores are not successful and the project does not appear to be economically feasible, there may be other options for improving retailing in downtown Oakland. Further analysis of these options would be required before conclusions could be reached regarding their viability. It must also be recognized that a less-ambitious program built around these options is unlikely to have the same catalytic effect as would something of the magnitude of the retail center proposal.

It might be possible to substitute less costly "anchor" tenants for department stores. Examples include off-price retailers such as Nordstrom Rack or Loehmann's. Evaluation of this possibility should address the ability of non-department store anchors to attract trade area sales as well as their market orientation and compatibility with other types of tenants desired downtown.

The possibility of reducing the number of anchor tenants and undertaking a smaller destination-shopping-oriented project could be raised in response to concerns about economic feasibility and the high cost of department stores. Further analysis is needed to assess this possibility and to define what is likely to occur under such a strategy. However, if such an alternative were possible, it would not achieve the same benefits as a major retail complex in terms of capturing trade area sales, generating retail activity downtown, and acting as a catalyst for revitalizing downtown. It also may be very costly for the lower level of benefits achieved.

Other uses, possibly less expensive than department stores, might provide complementary, traffic-generating activity for a major retailing project. Possibilities include commercial recreational facilities (cinema complex, indoor theme park, special events and/or amusement facilities, etc.) arts/cultural facilities (children's museum, public art gallery, etc.), live theater that may be privately funded, educational/entertainment facilities and exhibits (such as with sports, science, history, or music themes), etc. Such special uses could add to the attractions offered by anchor stores; they also could be considered as a potential substitute for a department store if other efforts to reduce those costs were not successful.

The issue of phasing is related to the issue of critical mass and of economic feasibility. One of the Workshop recommendations is that consideration be given to developing a major retail center in phases, presumably to reduce the up-front costs of development. Discussion above of the critical mass for retailing assumes that the critical mass threshold is developed in one phase that would be the first phase of retail development. Incremental retail development in phases is unlikely to be able to establish the critical mass necessary to change longstanding shopping habits as well as downtown's character and image.

Phasing could be considered for other land uses and additional retailing. For example, a renovated City Hall, City Hall Plaza, and potentially a city office building(s) and other amenities at 14th and Broadway could proceed before retail center development and be used as a catalyst at the southern end of subsequent retailing. On the other hand, a critical mass phase of retailing would provide incentives for future office development as well as for additional retailing. The combination of these uses also would enhance the feasibility of residential development to the west over the longer term.

Incremental development of retailing may be more likely to occur in the case of a smaller-scale effort, where one or more larger non-department stores may be added

with the goal of attracting shoppers downtown in the short term and providing the basis for attracting other major tenants over the long term. Further evaluation is needed to assess the viability of such an approach.

Planning and Design Considerations. Workshop recommendations include several points that relate to the location, orientation, and design of major new retail development downtown. The recommendations give high priority to orientation to Broadway and to the integration of new development into the existing downtown. These considerations are important in that they affect the benefits of major retail development for adjacent and nearby areas and for the overall revitalization of downtown.

A lot has already been said, during the Workshop and independently, about the desirability of trying to have major downtown retailing developed in an externalized manner that maximizes street orientation rather than as an internalized, climate-controlled mall-type project. An **externalized approach is preferable** in that:

- ▶ the traffic-generating benefits of anchor stores can extend over a larger area;
- ▶ the new retail activity is more likely to enhance the image and attractiveness of adjacent and nearby areas for retail uses as well as for office and cultural/entertainment activities; and
- ▶ the public-at-large has a greater opportunity to experience the total breadth and depth of activities and land uses downtown.

The result is likely to be greater "spillover" benefits in adjacent and nearby areas. The greater opportunity for developing additional retail, commercial, and related activities and facilities nearby could include restaurants and outdoor cafes, business/personal services (financial institutions, travel agencies, etc.), additional shoppers goods and specialty retailing, office uses, and cultural/entertainment activities.

Workshop recommendations also focus on other aspects of location, orientation, and design of major downtown retail development. The key elements include recommendations that serious consideration be given to the following:

- ▶ that such development have a Broadway orientation and frontage;
- ▶ that retailing be "extended" such that the Rotunda be the southern anchor and the 20th and Broadway location the northern anchor; and
- ▶ that new development be integrated into the existing fabric downtown, and that particular attention be paid to the retention of buildings of historic and architectural significance.

Recent schemes for the proposed retail center project satisfy some of the Workshop recommendations. In those schemes, retail development would generally be focused around Telegraph Avenue from 17th to 20th Streets, and Telegraph would be converted to an open mall with most retail space flanking this area. Linkages to Broadway would be provided with some department-store and small-shop space fronting on Broadway. The majority of new department-store space would be on the east side of Telegraph.

To better satisfy the Workshop recommendations, further consideration could be given to the Telegraph-centered scheme to determine whether modifications would provide a more externalized and Broadway-enhancing development. There also could be benefit in exploring other schemes, which, while possibly being more challenging, would be more responsive to the recommendations of the Workshop. The intent would be to consider one or more alternatives that would offer **greater orientation on Broadway, greater integration into the existing fabric of downtown, and greater use of existing buildings.**

Although alternative development schemes cannot be fully defined within the scope of this assignment, it is possible to identify the characteristics of such an alternative. Such a "Broadway Option" could be fleshed out and evaluated further to determine whether or not Oakland's built form and infrastructure might be converted to accommodate a contemporary retailing and mixed-use complex. This concept, summarized below, is described in more detail in Appendix A.

The "Broadway Option" would be totally externalized with retail activity centered on both Broadway and Telegraph Avenue, extending from 20th Street to 14th Street. Anchor stores would be strategically placed to generate retail activity throughout the area. The concept would include a mix of uses including highrise office above lower-level retailing and cultural, entertainment, and other special uses that provide additional attractions.

The intent of this scheme would be to maximize the use of the existing building infrastructure and to retain the unique early 20th century and Art Deco architecture of the Uptown district, giving it a distinctly Oakland flavor. Along Broadway and Telegraph, generally between 20th and 14th/15th Streets, the lower levels of existing buildings deemed worthy of retention could be reconfigured to accommodate national and regional mall-type tenants. Buildings judged not worthy of retention would be demolished and those sites combined with each other and with already vacant sites as needed for new development.

It remains to be seen whether a program as complex as the Broadway Option could be refined into an implementable project. Such a scheme would require strong leadership and effective implementation of a very deliberate course of action. Further, it would be a challenge to make this scheme attractive to the retail development industry which is likely to view it as being difficult and risky to

implement. In addition, there would be feasibility considerations; public sector costs would have to match available public sector resources. Further work is needed to fully define such an alternative and to evaluate its implementability and cost. The next subsection discusses implementation considerations that could influence project feasibility for this or any alternative.

Implementation Considerations. The preceding subsections addressing the retailing concept, project size, and planning aspects of major retail development deal primarily with issues of marketability and market opportunity. There are aspects of those discussions that affect project cost and economic feasibility as well. The remaining considerations for implementation addressed below directly concern economics and organization.

Major retail development may not be economically feasible if the magnitude of public financial resources required is beyond the level of resources available to the public sector. Thus, implementation considerations focus on the nature of cost sharing arrangements between the public and private sectors and identify possibilities for enhancing economic feasibility by reducing the amount of public subsidy. The intent is to identify the kinds of implementation strategy options that could be pursued further in attempting to develop a feasible program for implementing major retail development of the type recommended by the Workshop. Some options may have already been considered; others may identify possibilities for further consideration. Further economic analysis and evaluation would be needed to refine possibilities of various types, to relate implementation options to specific development schemes and alternatives, and to identify the best mix of implementation options for the preferred alternative. More detail on implementation considerations is provided in Appendix B at the end of this report.

Potentially, the implementation options that could offer the most significant enhancements to feasibility would be those that:

- ▶ resulted in major property owners within the retail project area contributing their holdings in the form of equity investment in the project with the expectation of return over the longer term as the result of the success of retail development; and/or
- ▶ created a development entity outside the public sector that would be established initially to create a single landlord for all property, and which could eventually function in various capacities including as a passive long-term lessor of land in the project area or as both a land lessor and prospective joint-venture equity partner in development.

The intent of a strategy whereby property owners participate in development through the contribution of their holdings in the form of equity investment would be to reduce the upfront cost of public sector land purchase. Such an approach is likely to work

best in the event that major retail development would not be feasible any other way and that owners clearly understood that fact. In that situation, there would be incentives for equity participation by owners whose properties would likely experience further decline without major retail development.

Establishing a development authority would facilitate this approach. The development authority would be the property landlord. The process would involve having the City acquire as much property as is deemed appropriate (with concentration on underdeveloped and vacant properties), with private property owners participating as well, by virtue of all parties selling their real estate asset(s) in exchange for shares in the development authority. It would be possible for the City and/or other shareholders to increase their interest in the development authority through the contribution of cash as equity capital.

There are many ways in which a development authority could function to facilitate development. The authority could be a passive long-term lessor of land in the project area, or it could function as both a land lessor and a prospective joint-venture equity partner (with property and/or cash contributed as the authority's equity). There are other variations of participation including, for example, a company (subsidiary of the development authority) that would be responsible for the development, ownership, and management of parking facilities to be built in the project area. The authority also could be involved in further planning activities and initial actions that could be undertaken before seeking a major developer/investor.

In addition to those described above, there are other implementation options that may further enhance the feasibility of major retail development. They include:

- ▶ use of public sector entitlements (zoning and other regulations) to provide incentives for other development in the project area to maximize the catalytic effects of retail development over the longer term and, potentially, to ensure that the development authority is the beneficiary of such property enhancements;
- ▶ consideration of whether incentives to preserve historic buildings could be used to enhance project feasibility, and/or
- ▶ activities and actions undertaken by the City or a development authority prior to attracting a developer/investor in order to enhance the attractiveness and certainty of the preferred program and lower the risk.

The above-mentioned points and other aspects of implementation are described in more detail in Appendix B.

Strategy Options for Other Destination Retailing and Retailing Serving Special Markets

In addition to major shopping, revitalization of retailing downtown and implementation of Workshop recommendations are linked to the success of other retailing facilities. Strategy options focus on completing existing projects and on encouraging the growth of retail activity in ways that reinforce the districts along Broadway and tie them together.

Chinatown. As described under market context, Asian-oriented retailing in Chinatown is active and healthy, and future growth is expected. Chinatown retailing does not appear to require special attention other than to try and guide its expansion in ways that have synergistic impact on adjacent land uses and activities. This could include encouragement for Chinatown retailing to continue to expand in the vicinity of Broadway.

Old Oakland. More may need to be done to assist the Old Oakland project. Without question, the fabric of this project is unique and attractive. However, it has yet to attract a proper array of investors, developers, and property managers who collectively could push this project "over the top" with appropriate tenancies. For retailing, focused special themes are needed (e.g. food, the arts, home furnishings and design) as are facilities or tenants that can provide attractions. The Workshop suggested that the area specialize in entertainment/night-time activities and eating and drinking uses. This concept could be supported by a theater (such as was once proposed by the Berkeley Repertory Theater), the proposed downtown arena, or other facilities that would attract people to the area. It also may be the case that, without new attractions of these types, office uses currently provide the strongest tenancies for much of Old Oakland, at least for awhile into the future. In that event, a relatively small amount of space could be devoted to largely local-serving retail uses.

Jack London Square. Ways in which the new retail development at Jack London Waterfront can be made to work are currently under investigation. What is being sought is a critical mass of specialized retail tenancies that can attract trade area residents. To be successful, specialty retailing needs a theme and tenants that provide attractions. Potentially, some of the space could be oriented to eating and drinking and nighttime entertainment activities. There also might be potential for building on the home improvement theme of existing retailing activities in the vicinity. Consideration should be given to differentiating the project from the types of specialty retailing to be located in major retail center development if it proceeds. The success of retailing in this project also is likely to depend on advertising and promotional efforts to increase the public's awareness of it. Over the longer term, new residential development in the vicinity (such as along the Estuary, as discussed in the residential chapter) in combination with the office uses nearby could provide support for neighborhood retail/service facilities.

From a public policy perspective, solutions for the retail development at Jack London Waterfront are not as high a priority as Old Oakland or as other strategy options such as those related to major retailing in the Uptown area and to increasing ground floor occupancies and street-activating uses along Broadway in more central downtown locations. Physically, the Jack London Waterfront is somewhat separated from the central core of downtown. What occurs at this southern end of Broadway would not have the same revitalization effects on other parts of downtown as would other strategy options.

Existing retailing in the larger Jack London Square area is oriented towards eating and drinking and nighttime entertainment activities. There appears to be potential for growth of these types of activities over time. As discussed in the chapter addressing other land uses, there may be potentials for additional types of entertainment facilities that could serve as special attractions for the area.

Strategy Options for Local-Serving Retailing

The rest of additional retailing downtown should be seen primarily as support activity for a growing daytime working population (as a result of office growth) and a larger residential population (as a result of growth of housing downtown). Strategy issues related to Workshop recommendations focus on encouraging the growth of local-serving retailing in ways that enhance the vitality of downtown streets and that reinforce existing nodes of retail activity along Broadway.

Several Workshop recommendations emphasize continuous street-level activity along Broadway and throughout downtown. They relate to the desire to fill up vacant storefronts as well as to the objective of requiring new development to have ground floor space opening onto the street with active uses. However, with regard to local-serving retail uses, the market context section points out that the amount of retail space potentially available to serve local retail markets (existing and potential new space) is large relative to the amount of retail activity supported by local spending both now and in the future. Thus, the siting and design of additional retail space in new development should take account of the following considerations.

To some extent, more retail space developed in new projects would mean fewer local-serving retail occupancies in space in existing buildings. The extent to which growth of local retailing will result in occupancy of currently vacant storefronts downtown also would depend on their location in relation to future office and residential growth and on the extent that existing spaces are suitable for generally small-scale local retailing use. From a policy perspective, attention should be given to identifying locations where ground floor retail space in new development is particularly desirable to generate pedestrian activity. In other locations in the vicinity of existing suitable retail space, additional retail space in new development should not be encouraged since it might detract from the occupancies of existing space.

A related issue of retail strategy concerns encouraging and promoting local-serving retailing nodes along Broadway in ways that complement and reinforce other retailing along the street. For example, local-serving retailing is prominent in the vicinity of Broadway from 11th Street to 14th Street and should be encouraged to continue to expand in that area. Some local retailing occurs in the Chinatown and Old Oakland areas in the vicinity of Broadway from 10th Street to 8th Street and should increase in this area as well. Over time, local retailing could fill in gradually along other parts of Broadway, particularly those nearer to 20th Street or to 14th Street as office uses expand in those locations. The extent of retailing along Broadway between 20th and 14th Streets, however, depends largely on decisions regarding major retail development in that area, not on local-serving retail uses. Extending continuous retailing between around 8th Street and Jack London Square would appear difficult and perhaps counterproductive, at least for quite awhile into the future.

Recognition that local-serving retail uses will fill in gradually over time and that retail uses are unlikely to extend all along Broadway for a long time into the future, raises strategy issues regarding other possible options for dealing with vacant storefronts in existing buildings. Such concerns are most applicable to locations along Broadway between 20th and 14th Streets and on the east side of Broadway between 12th and 11th Streets. Occupancy of storefronts along Broadway between 20th and 14th would increase with major retail development in that area; other strategies that would improve the situation, although not as significantly if done without major retailing, include encouraging new office building development in the Broadway Corridor and resolving the status of earthquake damaged buildings. (Both strategies are discussed in the office chapter.) The situation for the block between 12th and 11th Streets is somewhat different, relating to eventual development there for hotel or office uses. As interim measures in both locations, attention could be given to removing the most blighted situations (such as the badly damaged buildings on city-owned property near 12th Street) and undertaking improvements such as landscaping, street art, and/or increased maintenance.

DOWNTOWN RESIDENTIAL USES

MARKET CONTEXT

Downtown Oakland provides a range of different types of housing for different population groups.

- ▶ There are about 8,700 housing units in downtown Oakland. Housing downtown represents about six percent of total housing in Oakland.
- ▶ Almost all of the downtown housing stock is rental. Rent levels in downtown residential areas surrounding Lake Merritt, in the northeastern portion of downtown, and in newer housing along the Estuary are higher than citywide average rents. Rents in the rest of downtown are generally lower than the city average. Rents are very low for downtown housing surrounding City Center, west of Broadway to the freeway. That area includes several residential hotels.
- ▶ There currently are proposals for residential development downtown, including over 1,500 new housing units. Although it is uncertain if all of this housing actually will be built, the large number of units proposed indicates interest in residential development downtown and a relatively favorable view of market potentials for new housing, at least in some parts of downtown.
- ▶ Most of the proposed residential projects are in the Lake Merritt and Chinatown areas. Most of the new units would be market-rate housing. A large number of the new units are in the Pacific Renaissance Center project, a joint public/private development effort including some affordable housing. The housing markets in the Lake Merritt area and Chinatown are strong enough to support new residential development. In the past few years, new downtown housing has been built in Chinatown where the demand for housing is strong and the feasibility of residential projects has been enhanced by ground floor commercial uses and/or some public sector participation/assistance.
- ▶ New housing also has been proposed in the Housewife's Market project located immediately west of the Old Oakland project. This public/private effort would include market-rate housing with some affordable units. The project would be pioneering in that new market-rate housing has not been built in this part of downtown.
- ▶ Generally, new housing is not being built solely or largely by the private sector in the downtown area on the west side of Broadway. Obtainable

rents and sales prices for new housing there are not perceived to be high enough to support new construction. Thus, new housing in this part of downtown remains dependent on public policy and on the public resources allocated to subsidize new development.

- ▶ A live/work project is currently under construction in the South-of-the-Nimitz area. Market acceptance of that project will provide an indication of potentials for more of this type of housing.
- ▶ Residential hotels downtown provide the only affordable form of housing for certain segments of downtown's population. The Loma Prieta Earthquake damaged several of these buildings. A variety of funding sources have responded to the need to repair these hotels. Work is underway in one case and proposed for several others. Issues remain regarding the feasibility of repair and the standards to be required for the work.
- ▶ Several factors support future demand for multi-family housing in downtown Oakland: population growth, limited development opportunities in relatively close-in parts of the Bay Area, and increased commuting times to outlying residential areas. Improvements to downtown's image and increases in downtown activity and development over time will enhance downtown's attractiveness as a residential area.

Demand for housing in Chinatown could continue to be particularly strong due to ethnic ties to the established neighborhood community there and to the relatively greater acceptance of higher-density housing by the Asian community.

- ▶ In general, market interest in new housing is likely to stay focused on the established residential neighborhoods east of Broadway. New housing development for the Chinatown market is likely to continue to expand outward to the north and west of the core of Chinatown and could move across Broadway. Market-rate housing development in established neighborhoods is likely to proceed with little or no public sector participation, although public resources are likely to continue to be needed to provide affordable units.
- ▶ Generally, market interest in developing new housing west of Broadway is likely to continue to be limited, at least for the foreseeable future. Potentials could improve over the longer term as other development and improvements occur in the vicinity. Housing west of Broadway would need to be produced on a large enough scale to establish a new neighborhood identity thereby gaining market acceptance from a new group of housing consumers. New large-scale residential development

in the western areas of downtown is unlikely to occur without public sector participation and substantial subsidies.

- ▶ There will continue to be demand for existing downtown housing from households with limited financial resources and relatively few housing options. This population is concentrated in existing older housing primarily in neighborhoods on the western side of downtown. This situation is unlikely to change significantly in the absence of policy decisions to expand the downtown housing supply and create new neighborhoods in some of these areas.
- ▶ There is potential for major new market-rate housing development in the vicinity of the Estuary, in locations that can benefit from nearby water amenities. Residential development there is likely to be dependent on regulations regarding the use of property adjacent to waterfront areas and on decisions of the Port of Oakland regarding the use of its properties.

WORKSHOP RECOMMENDATIONS

Workshop recommendations to which residential uses are of particular relevance are summarized in Figure 4. Review of these recommendations within the market context described above identifies strategy options and related issues concerning residential development and achievement of Workshop recommendations. These strategies and issues are discussed in the rest of this chapter.

STRATEGIES RELATED TO RESIDENTIAL DEVELOPMENT AND TO ACHIEVING WORKSHOP RECOMMENDATIONS

Housing Production Increases Activity Downtown

Residential development downtown provides significant benefit by creating more activity in downtown Oakland. Residential uses provide 24-hour downtown activity, create vitality and pedestrian activity on downtown streets, and contribute a sense of security (particularly in the evenings and on weekends). Residential uses support and complement other uses downtown, offering housing in close proximity to downtown places of employment and providing support for downtown retailing, eating and drinking, commercial recreation, and cultural activities.

Public Sector Commitment and Overall Residential Strategy Needed to Achieve Workshop Recommendations

Achieving recommendations related to residential development downtown requires public sector participation and the commitment of public funds to produce housing. It also requires a long-term downtown housing strategy that associates housing options with

FIGURE 4
WORKSHOP RECOMMENDATIONS TO WHICH RESIDENTIAL USES
ARE OF PARTICULAR RELEVANCE

Encourage Managed Growth in the Downtown

- ▶ Attract more downtown residential activity; creation of neighborhoods preferred over individual residential projects.
- ▶ Maintain existing diversity of uses.
- ▶ Create a 24-hour downtown.

Preserve Integrity of Downtown Neighborhoods

- ▶ South-of-the-Nimitz: desire residential development in this area: both live/work housing and waterfront housing along the Estuary east of Jack London Square.
- ▶ Lake Merritt Civic Center: new housing desired near Lake Merritt BART station.
- ▶ Chinatown: should be maintained as mixed retail/residential neighborhood; desire high density residential development along Broadway from 11th Street south to Nimitz Freeway.
- ▶ Old Oakland Area: residential development desired.
- ▶ San Pablo Triangle: possible site for new residential neighborhood redevelopment geared toward mix of income groups.
- ▶ Lake Merritt Residential: continue as a multifamily housing area accommodating infill development of market-rate housing.

Strengthen Attributes Which Contribute to Sense of Place

- ▶ Water resources: encourage development of housing and public open space along the Estuary east of Jack London Square.

locations, sets priorities among locations and among competing needs for public financial resources, and coordinates participation by the private, public, and institutional/non-profit sectors.

An overall downtown housing strategy could be developed to achieve some or all of the following objectives:

- ▶ Maximize potentials for market-rate housing production;
- ▶ Facilitate development of new residential neighborhoods in areas that have positive impacts on downtown revitalization; and
- ▶ Develop approaches for providing a mix of new housing types, tenures, and price/rent levels.

Each of these objectives is discussed further below, identifying what might be involved in achieving each.

These objectives present a range of options for producing housing downtown. They include the near-term strategy of using regulatory powers and limited public sector participation to maximize market potentials for producing housing. They also identify longer-term strategies requiring the commitment of significant public sector participation and resources for developing new neighborhoods downtown and/or producing affordable housing and housing types that would not otherwise be built. The potential magnitude of public resources required to achieve all of these objectives could be very large. Thus, there are priorities to consider as well as trade-offs among competing uses for public resources. From the broader perspective, there is the option to pursue a housing strategy that maximizes market potentials for housing development in the near term and to develop in longer-term strategy for new neighborhood development following other downtown development and improvements that would enhance potentials for eventual downtown housing. The commitment of substantial public sector resources to housing in the near term could limit the ability to pursue major strategies for other uses where market potentials are stronger in the near term future (such as for major retailing downtown).

Approach for Maximizing Potentials for Market-Rate Housing

The approach for this objective could be to build on existing market strengths and use regulatory powers and other public sector participation to support and encourage private market potentials. Potentials already evident in the Chinatown and Lake Merritt Residential areas could be further pursued through consideration of nearby expansion areas where additional development opportunities for serving these markets may exist. The built-in momentum of Chinatown development, in particular, could be exploited. In addition, potentials for market rate housing along the Estuary and for loft housing and live/work development also could be pursued. More generally, housing

opportunity sites throughout downtown could be identified and reviewed in terms of possible changes in zoning and other land use policies to encourage residential development. Consideration also could be given to such incentives as public sector assistance in developing parking or variances in parking requirements in certain situations.

Housing/Public Space Development Near the Estuary. Market potentials appear strong for high-quality housing development along or near the Estuary, especially to the extent that units could offer water views and amenities. Regulatory issues regarding housing along the waterfront would need to be explored. This is likely to require a joint effort between the City and the Port of Oakland working in close coordination with the Bay Conservation and Development Commission (BCDC). The challenge appears to be in developing a plan that provides public open space along the waterfront with housing behind. Housing development near the Estuary could offer near-term potential for adding significant amounts of new housing downtown. Such housing would be of benefit to retail uses in Jack London Square. Housing along the Estuary also could remove the possibilities for other uses there that potentially could compete with development in other downtown locations.

Loft Housing and Live/Work Space. Potentials for further live/work space and for loft housing could be further examined for parts of the South-of-the Nimitz area, and, possibly, for locations in the old Oakland area. There are building code issues to resolve related to these types of housing. There also are issues of how housing in parts of the South-of-the-Nimitz area could affect warehouse and light industrial uses there. Housing development could be at the expense of other uses. Further, the presence of housing could present conflicts with other uses, particularly ones that were noisy and active during the night or early morning hours. Thus, consideration of housing South-of-the-Nimitz should include assessing the implications for other uses that may be desirable in the context of other objectives for downtown (such as maintaining and enhancing existing downtown character).

Zoning to Support Residential Opportunity Sites. Residential development potentials could be enhanced by identifying opportunity sites for new residential development, reviewing existing zoning, and identifying situations where zoning should be changed to designate residential as the primary permitted use. The Workshop's recommendation to encourage housing development along Broadway south of 11th Street provides an example of a situation where a zoning change to residential as the primary use could be beneficial.

The benefit of such an approach would be to reduce the value of those sites for uses other than residential, thereby enhancing the feasibility of housing development in situations where potentials for other uses, primarily office, also exist. The approach also would communicate clear policy direction on the part of the City for residential uses in certain locations.

The process of identifying housing opportunity sites should be coordinated with identifying office opportunity sites. Recommendations for changes in zoning to emphasize residential use and limit office development should be consistent and complementary with objectives for the office sector.

Assistance in Developing Parking. Developing downtown housing also could be encouraged by public sector assistance in developing parking. For example, the public sector could build parking as their participation in a large residential project. The public sector also might build a large parking structure that could be utilized by several smaller residential projects. This approach could reduce the construction cost for parking on a per space basis (because the facility could be larger and laid out more efficiently than smaller facilities on several sites). It also could result in more land for housing development and more total units built (because of the efficiency of lay out). Consideration also could be given to allowing variances in parking requirements in certain situations (such as close proximity to a BART station, senior citizen housing, etc.).

Approach for Considering Potentials for New Neighborhoods

The Workshop recommendations identify the desire for housing development in areas west of Broadway. Market potentials for other uses are not so strong there and residential development potentially offers new vitality. Further, these areas include vacant and underutilized sites that could be a resource for producing housing.

A strategy for pursuing residential development west of Broadway could attempt to develop locations that would have positive impacts on downtown revitalization. Areas that might benefit from the concentration of new residential development include the areas identified in Workshop recommendations: the area to the west of the Convention Center and the Old Oakland project and the area referred to as the San Pablo triangle.

In each of those cases, potentials for major new housing development need further evaluation. An important question to address is the nature of the housing market that new development would serve. For example, would it attract downtown workers, seniors, an ethnic market much like Chinatown, or others? The market(s) to be served will influence the types and prices/rents of housing to be built and the extent that changes in existing conditions would be required as a precondition for new development. There will be problems to overcome in attempting to encourage housing development in these areas. New market-rate housing has not been built in these areas and is unlikely to be feasible in many locations without changes to current conditions that would improve the physical appearance, security, and overall image. Further, new development would need to be on a fairly large scale to establish a new neighborhood identity. Such changes as well as commitment to a large project would require public sector participation (such as to assist in assembling sites for

development). In addition, providing a mix of types and prices/rents of housing also would require public sector subsidies.

It may be easier, and strategically important in some cases, to establish an appropriate context for residential development by commencing a housing program based on high-quality subsidized housing to serve moderate-income residents. As a part of an overall strategy, such projects could improve the overall quality of the housing stock thereby strengthening the market for eventual market-rate housing. In this way, the housing strategy would leverage subsidy dollars to generate affordable housing opportunities that support market-rate opportunities as well.

There would be trade-offs in creating new residential neighborhoods downtown. Although the new housing development could upgrade an area and revitalize parts of downtown, it also could have effects on nearby existing older housing and those residents. In some cases, nearby areas may need to be upgraded to attract new development. In turn, a successful new neighborhood could mean upgraded housing nearby. In either case, the stock of downtown housing available to lower income households could be reduced as a result. Although efforts could be made to minimize impacts of these types, certain trade-offs inherent in the development of large amounts of new housing in proximity to existing, older residential areas are inevitable.

Given the commitment of energy and resources likely to be required for new neighborhood development and the possible extent of demand for multi-family housing, decisions will be needed regarding the area(s) in which a new neighborhood should be built, the specific strategy to be followed, and overall priorities since several areas probably cannot be done at once or for some time into the future.

Among the locations mentioned by the Workshop for new neighborhood development, the area immediately to the west of the Convention Center and the Old Oakland project currently appears to have the most potential for eventual new neighborhood development. However, even in this location, substantial development is unlikely to occur without public sector participation and potentially large subsidies. Because it offers large sites relatively near other downtown activity and relatively free of existing development, the area also could be attractive to large-scale institutional or entertainment uses such as the proposed downtown arena or a convention center expansion. Those types of activities also would revitalize this part of downtown, and some probably could be developed sooner than housing. Further, uses such as an arena would act as a catalyst for other services and activities (such as the "vitalization" of the Old Oakland project) that in turn could act as a catalyst for the evolution of nearby market-rate housing. Policy decisions regarding the use of this area will have to consider the relative benefits and costs of the different possible uses here and the other location options for each use.

The approach of using non-market housing and other improvements to prepare an area for eventual market-rate housing development may be the appropriate approach if the

decision were made to develop new housing in the San Pablo triangle area. Potentials for this area also could be influenced by whether a major retail project was eventually built nearby. Major retailing in the vicinity would enhance the potential for market-rate housing development over the long term.

Approaches for Providing a Mix of Housing Types, Tenures, and Price/Rent Levels

Another aspect of developing a downtown housing strategy could be to refine approaches for providing a mix of housing opportunities. This objective overlays the two discussed above. What this objective could add to the overall strategy is particular concern for providing affordable housing and housing types (such as the rehabilitation of damaged residential hotel buildings and of older vacant structures for housing use) that may not otherwise be built. In most cases, this is likely to depend on public subsidies and on creative financing and the participation of the non-profit sector.

As a result, meeting objectives to provide affordable housing and certain housing types downtown that would not otherwise be provided will depend largely on policy decisions to allocate public subsidies for those purposes. Decisions also will be required to prioritize the use of available resources. Such decisions could involve trade-offs between, for example, a larger number of affordable units for moderate-income households and a smaller number for lower-income households. Relevant considerations in allocating available resources would include priorities set as part of the overall downtown housing strategy, leveraging subsidies by allocating them to projects that encourage private market potentials, and facilitating projects involving other subsidies and financial mechanisms (such as low-income-housing tax credits or tax credits for the rehabilitation of historic structures) as well as non-profit sector participation. Whether to allocate subsidies to housing downtown or to housing in neighborhood areas (as would arise regarding the use of the 20% share of tax increment funds that must be spent for housing) also could become an issue in the policy decisions on a downtown housing strategy.

OTHER ACTIVITIES AND LAND USES DOWNTOWN

There are a broad range of other activities and land uses downtown besides those discussed in previous chapters. They include the following:

- ▶ **arts and cultural** activities and facilities such as the performing arts, museums, art galleries and exhibits, and special shows;
- ▶ **entertainment and recreation** activities and facilities such as motion picture theaters, concerts/discos/nightclubs, health clubs, and various events such as parades, festivals, and sporting events;
- ▶ **educational** activities and facilities including schools/colleges, libraries, and lecture series; and
- ▶ **hotel and other hospitality** activities and facilities including hotels, motels, conferences, conventions, and tourist-related destination eating and drinking.

CONTEXT

- ▶ Activities and facilities of the types listed above occur throughout downtown. They currently occur in the Lake Merritt Civic Center area (Oakland Museum, Kaiser Convention Center, Calvin Simmons Theater, Laney College, central branch of the Oakland Public Library), Uptown at the Paramount Theater, and south of the Nimitz along Broadway and at Jack London Square. The downtown Convention Center and Hotel are in the downtown core area. Parades and other special outdoor events often occur on Broadway and at Lake Merritt.
- ▶ Generally, cultural and arts-related activities in Oakland that draw from the larger East Bay area occur in downtown (such as the Symphony, Ballet, Opera, and Oakland Museum). Entertainment, recreation, and educational activities generally are not focused on downtown and occur at the Coliseum Complex and at locations throughout the city. Some of Oakland's hotels and other hospitality facilities are located downtown, while others are found in the vicinity of the Oakland Airport and at the Claremont Resort Hotel. Special events that draw from throughout the region often occur downtown including the National Educational Film and Video Festival and the Black Filmmakers Hall of Fame Awards.

- ▶ The future of arts, cultural, and entertainment activities downtown depends both on support for the entities and institutions that promote, manage, and perform these activities as well as on the availability and development of facilities. These activities often require participation and support from the private, public, and non-profit sectors.

Currently, an Asian Cultural Center is under construction in Chinatown as a part of the Pacific Renaissance Center project. The Alice Arts Center (to the north of the Lake Merritt Civic Center area) is now under renovation. The Black Filmmakers Hall of Fame is planned to be built near Preservation Park. In addition, a large multi-purpose downtown arena is under consideration on the blocks to the west of the Convention Center and the Old Oakland project.

- ▶ The strongest market for hotel/motel accommodations downtown currently appears to be business travel associated with downtown office activity. There will be growth of this market in the future as the office sector grows. Existing hotel/motel establishments are able to accommodate some growth. Eventually, there could be demand for additional facilities downtown to serve this market.

Hospitality facilities downtown also serve the convention/conference market. That market has been and will continue to be very competitive. It is hoped that additional hotel development downtown would enhance the local Convention Center's ability to compete for convention business. A new hotel has been planned in the vicinity of the Convention Center on Broadway between 11th and 12th Streets (so-called Hotel II site).

WORKSHOP RECOMMENDATIONS

Workshop recommendations of particular relevance to the activities and land uses addressed in this chapter are summarized in Figure 5. Opportunities, issues, and strategies related to achieving these recommendations are discussed below.

OPPORTUNITIES, ISSUES, AND STRATEGIES RELATED TO ACHIEVING WORKSHOP RECOMMENDATIONS

Other Land Uses Generate Activity Downtown

The activity generated by the variety of uses discussed in this chapter benefits efforts to revitalize the downtown area. These activities and uses often serve as destinations bringing additional people downtown. As a result of those visits, there is additional support for downtown eating and drinking establishments and other retail activities. The uses also serve those who live and work downtown. Land uses discussed in this chapter are particularly important in providing activity downtown at night and on

FIGURE 5
WORKSHOP RECOMMENDATIONS OF PARTICULAR RELEVANCE TO
OTHER ACTIVITIES AND LAND USES DOWNTOWN

Encourage Managed Growth in the Downtown

- ▶ Attract more cultural/entertainment activity downtown.
- ▶ Maintain existing diversity of uses.
- ▶ Create a 24-hour downtown.

Preserve Integrity of Downtown Neighborhoods

- ▶ South-of-the-Nimitz: Jack London area should continue to develop as a round-the-clock center of eating and entertainment; district between 5th and 6th Streets was viewed as having potential to become the "Bourbon Street" section of lower Broadway.
- ▶ Lake Merritt Civic Center: continue as a cultural/educational area.
- ▶ Old Oakland Area: a potential center for nighttime entertainment, dining, and cultural uses.
- ▶ Uptown: continue as a retail/entertainment district.

Build Upon the Existing Downtown Structure

- ▶ Reinforce prominence of Broadway: new hotels and entertainment facilities should be located on Broadway; a continuous string of active uses including retail, personal service, eating and drinking, tourism, cultural, and entertainment uses should be encouraged along the ground floors of buildings on Broadway; streetscape elements could be used to reinforce the importance of Broadway as a ceremonial street.
- ▶ Strengthen other linkages between downtown activity centers: better link Lake Merritt Civic Center to downtown core at Broadway and to potential cultural/entertainment/nightlife district in Old Oakland.

weekends. They also contribute diversity and interest to the mix of activities and uses downtown, and, because of their potentially broad appeal, they can do much to reinforce a positive image for downtown.

Opportunities and Related Issues

Workshop recommendations to attract more of the types of uses discussed in this chapter could be achieved in a variety of ways. The following discusses some of the possibilities and some of the issues involved. Entertainment/commercial recreation activities are discussed first, followed next by arts and cultural activities, and then by hotel/hospitality uses.

Entertainment/Commercial Recreation Opportunities

Within the context of downtown planning and revitalization, entertainment activities are desirable because they attract people to the downtown area and because they add to the mix of experiences downtown. Entertainment activities of the types described below generally are operated by the private sector. The facilities, however, may need to be subsidized or to be developed as joint public/private efforts. In some cases, public sector assistance may be needed to attract appropriate activities or tenants to make a concept work.

Old Oakland Area. The Workshop suggested that Old Oakland specialize in nighttime entertainment, dining, and cultural uses. To be successful, this concept should be supported by facilities that would attract people to the area such as the proposed downtown arena, a performance theater (such as was once proposed by the Berkeley Repertory Theater), a cabaret or dinner theater, and/or other similar uses. Some of these facilities are likely to require public sector participation (such as a downtown arena or performance theater). The commitment of public participation to such facilities could require further study of market potentials and of ability to support and reinforce uses in Old Oakland and possibly in other nearby areas.

The multi-purpose arena being considered for downtown Oakland could significantly increase entertainment and recreation opportunities downtown and could be an important asset in revitalizing the downtown area. (The arena was not public knowledge at the time of the Workshop and therefore was not considered by Workshop participants). It would respond to Workshop recommendations for more entertainment and cultural uses and for more nighttime activity downtown. Its proposed location has strategic implications for the further evolution of Old Oakland as an entertainment and eating and drinking district and also would generate support for restaurants, bars, and entertainment activities in other nearby areas. In addition, if the arena were designed for trade shows and exhibits, it could act as a complementary facility to the nearby Convention Center. Arena development is likely to require public sector participation. It also is likely to require innovative solutions to design issues and to meeting traffic

and parking needs. Other Workshop recommendations are concerned with maintaining the ambiance and architectural character of the Old Oakland area.

While the arena would respond to Workshop recommendations regarding cultural and entertainment uses, it might conflict with the Workshop recommendation that new housing is desirable in the Old Oakland area. Use of the proposed site for an arena would preclude the possibility of those blocks being developed for large-scale residential use over the long term (which also is likely to require public sector participation). (Also see the previous chapter dealing with residential land uses.) Policy decisions will have to consider the relative benefits and costs of the different possible uses for those blocks and the other location options for each use. The possibility of developing new housing on other nearby blocks over the long term, however, may not be precluded by arena development, depending on design and other factors.

Other Possibilities. As residential development occurs downtown, there will be support for resident-serving entertainment and recreation activities such as those offered by movie theaters, sports clubs, and other amusements. In the near future, potentials for such facilities may be strongest for serving the Chinatown community. Office development downtown will result in increased demand for fitness facilities and athletic clubs, although there may not be much need for additional facilities because of recent expansion of these services in the downtown.

There also may be potentials for other types of entertainment facilities that could serve as special attractions for downtown Oakland. Possibilities might include a participatory museum such as the sports science museum idea that has been suggested. Another possibility might be a destination, multi-faceted film experience in the Jack London Square area, maybe featuring significant historical aspects of Oakland and/or the East Bay.

Potentials also may exist for expanded use of the Paramount Theater and possibly use of a renovated Fox Theater. There have been proposals for movie complexes and for major theatrical productions in these facilities. Such activity would clearly be of benefit to downtown. The viability of proposals and the extent of public sector participation requires further evaluation. Decisions regarding a major retailing project in the vicinity could have a bearing on the desirability and viability of these projects. Potentially, they could be incorporated into a mixed use scheme for major retail development in the Uptown area (as discussed in the retail chapter).

Special events downtown also can be of benefit in attracting people and generating activity. Efforts could be made to continue those that now exist and develop new ones. Examples include outdoor concerts (such as those in the noon hour), parades, street festivals, annual open studios for local artists, walking tours of historic buildings and districts, bicycling or running races, and the like.

Opportunities for Arts and Cultural Activities

The future for arts and cultural activities depends primarily on leadership and organizational and financial support and secondarily on the availability of facilities. These activities generally are run by non-profit or quasi-public organizations that rely on both public and private sector financial support. The general approach for expanding arts and cultural activities outlined herein focuses on promotional activities to increase support for downtown arts organizations and on relatively small-scale additions to continue to expand the arts at strategic locations throughout downtown. Arts and cultural activities are desirable downtown for the attractions and the amenities they provide.

Workshop recommendations regarding the expansion of other economic activity downtown could be of benefit to arts and cultural activities. Business sector growth could offer the potential for additional corporate support for the arts. Larger resident and worker populations could provide more interest and patronage for arts and cultural activities downtown. The addition of major retail shopping downtown could be of benefit by attracting people who might otherwise be reluctant to visit downtown and by improving the physical environment and enhancing activity on the street. Recommendations regarding expanded public transportation within downtown could be of benefit by encouraging those who attend downtown performances to also dine downtown before and after events. The dispersed locations of existing performing arts facilities make it difficult to encourage and support eating and drinking in the immediate vicinity of any one facility.

Expanded Promotions. Downtown-based promotional efforts could help in generating greater public and business community support for downtown arts and cultural organizations. An advertising campaign for performances and events could be oriented to expanding awareness of downtown as a place to go for cultural events and entertainment. Promotional events such as special dinners before performances along with shuttle service to and from theaters (as was done by the Parc Oakland on the opening night of the Oakland-East Bay Symphony) could help in promoting more associated activity downtown.

Additional Galleries/Exhibits/Arts Complexes Downtown. To add street level vitality and activity downtown, efforts could continue to be made to foster storefront museum and gallery space in strategic locations. These probably would require ongoing financial subsidy. Galleries and exhibits connected with the Oakland Museum could be encouraged in select locations downtown as was recently done for the sculpture garden at the new APC building. There also may be additional opportunities to involve local artists (including those in live/work space downtown) in exhibits downtown. Amateur and related arts facilities could provide opportunities for other strategic locations downtown. Examples of such facilities might include an arts complex for children (possibly including music, theater, puppet shows, arts and crafts, etc.) and/or an ethnic

cultural complex celebrating the true diversity of Oakland. Special attractions of these types could be considered as part of a major retail complex in the Uptown area.

Overall Strategy for Entertainment/Recreation and Arts/Cultural Activities and Land Uses

An overall strategy will be needed that incorporates decisions about which opportunities to pursue, identifies priorities, and addresses the degree of public sector participation. That strategy should be developed in close coordination with strategies for office, retail, and residential land uses so that these activities will support and facilitate those uses as much as possible. In the longer term, the benefits of such coordination will be increased tax increments and other public revenues, some of which could further benefit the arts and cultural activities downtown.

Hotels and Related Uses

The Workshop recommended that new hotels be located on Broadway to reinforce the prominence of that street. Opportunities and potentials for hotel development on Broadway and elsewhere in downtown depend on the extent and nature of demand for additional overnight accommodations. There is uncertainty regarding that demand. Thus far, hotel uses downtown and the Convention Center facility have not been as successful as anticipated. A hotel market study would be very useful for future downtown planning efforts.

A hotel market study would analyze the potentials for facilities of various types downtown and the timing of demand over both the shorter and longer terms. The market for overnight accommodations as a result of office growth is expected to grow. That market could be analyzed in terms of the amount of demand over time and the types of facilities and room rates that could best serve this market. Potentials for convention and conference business and accompanying demand for overnight accommodations are more uncertain. This market must be evaluated in light of current and expected future competition for such business. The extent to which the downtown's competitive ability to attract conventions would be enhanced by additional hotel rooms or by a nearby downtown arena with facilities for trade shows and exhibits should be addressed and other things that might enhance competitive ability also could be identified. A market study could address opportunities for serving specialized hotel markets in the downtown, e.g. in Chinatown or along the waterfront.

Locational options for new hotel development downtown could be evaluated once a market study is completed. Among those to be considered would be: the city-owned site on Broadway between 11th and 12th Streets in close proximity to the Convention Center and Hotel; a waterfront location designated for future hotel development on Port property west of Jack London's Waterfront; and a site on Broadway within the project area for major, mixed-use retail development should that strategy be pursued (see discussion in the retail chapter). Within the parameters established by the market

study, the choice of hotel development sites should be made to complement and reinforce other land uses and be a part of an overall strategy for downtown.

OPEN SPACE, STREETScape IMPROVEMENTS AND AMENITIES, AND TRANSPORTATION IMPROVEMENTS

WORKSHOP RECOMMENDATIONS

The Workshop produced various recommendations regarding open space, streetscape improvements, and other physical improvements and amenities downtown. It also developed recommendations regarding desirable downtown transportation improvements. This chapter discusses strategies and issues related to implementing those recommendations.

IMPLEMENTATION ISSUES AND STRATEGIES

Improvements that Enhance Downtown

Open space, streetscape improvements, and other physical improvements and amenities can be attractive and improve the image of downtown. They organize elements and places downtown and highlight important attributes and locations. They support and enhance market potentials for other land uses.

Transportation improvements facilitate movement within downtown and enhance access to downtown. They serve an organizing function and affect land use patterns. They support and enhance potentials for land uses and activities downtown.

Strategy Options and Related Issues

Strategies related to these types of improvements involve two main considerations. One is to consider how to prioritize and program improvements over time so that they are of benefit to other land uses downtown and enhance potentials for revitalization. The other is to identify sources of funding for development and ongoing operations and maintenance of desired improvements and to identify the particular entities to be responsible for implementation.

Open Space, Streetscape Improvements, and Other Amenities

Workshop recommendations regarding open space, streetscape improvements and other amenities downtown are summarized in Figure 6. The recommendations include a variety of improvements.

An overall strategy is needed to further evaluate recommended improvements in terms of their importance and impact and to program them over time in relation to available resources and the development of other land uses. Such a strategy could be developed as an element of planning for other land uses downtown and in coordination with strategies for other uses. To be effective, improvements relating to streets, sidewalks,

FIGURE 6
WORKSHOP RECOMMENDATIONS REGARDING OPEN SPACE,
STREETSCAPE IMPROVEMENTS, AND OTHER
AMENITIES DOWNTOWN

Build Upon the Existing Downtown Structure

- ▶ Reinforce the prominence of Broadway: more landscaping and improved maintenance to enhance the "pedestrian-friendliness" of the street; use streetscape elements (plantings, banners, historic lightposts) to reinforce the importance of Broadway as a ceremonial street; strong entry statements to downtown desired at north and south ends of Broadway.
- ▶ Strengthen other linkages between downtown activity centers: east-west connections with a link to Broadway including those between the Lake and Lake Merritt Office district and Broadway, all along 14th Street, and along 12th Street connecting Lake Merritt Civic Center with downtown office core and old Oakland; a waterfront promenade to connect the Estuary at Jack London Square to Lake Merritt.

Strengthen Attributes which Contribute to Sense of Place

- ▶ Open space network: suggested additions include:
 - a new park west of City Hall in place of parking garage there now;
 - a rejuvenated City Hall Plaza;
 - improvements to plaza area at 14th and Broadway;
 - possibly a new park east of City Hall Plaza where Broadway Building now stands (depending on decisions regarding future of this location);
 - treatment at the Nimitz Freeway underpass including water, sound, or light;
 - new water features at Latham Square and at City Hall Plaza; and
 - increased landscaping in the median of Broadway.

(continued on next page)

FIGURE 6 (CONTINUED)
**WORKSHOP RECOMMENDATIONS REGARDING OPEN SPACE,
STREETSCAPE IMPROVEMENTS, AND OTHER
AMENITIES DOWNTOWN**

Strengthen Attributes which Contribute to Sense of Place (Continued)

- ▶ Historic resources: historic resources should be maintained and celebrated where possible; fate of earthquake-damaged historic structures should be resolved as soon as possible.
- ▶ Water resources: suggest the following:
 - strengthen connection between Broadway and Lake Merritt, possibly with streetscape improvements;
 - develop public esplanade to link the Estuary and Lake Merritt; and
 - enhance presence of water downtown with public fountains and other water features.
- ▶ Landmarks: suggestions include:
 - gateways consisting of fountains, sculptures, and other special landscaping to make special places along major thoroughfares (such as Jack London Square, Broadway underpass at Nimitz, 14th and Broadway, Broadway and 27th Street or Grand Avenue);
 - treat Broadway Building, Cathedral Building and "flatiron" character of their intersections as special places contributing to character of downtown; illuminate; redesign Latham Square; and
 - features to highlight neighborhoods or notable activities adjacent to Broadway such as a Chinatown Gate or Old Oakland Gate.

public spaces, gateways, and important buildings must be supportive of overall strategies for activity, land use, and building development downtown. For example, pursuit of a retailing strategy to develop a major, mixed use, retail complex in the Uptown district of downtown would have implications for the types and locations of open space, streetscape improvements, and other amenities desired in the area, for the division of responsibility for those improvements vis-a-vis the public and private sectors, and for the phasing and timing of their development. Similarly, decisions regarding the permanent location of City government offices and related planning for a possible new office building would have implications for open space improvements

on and in the vicinity of City Hall Plaza and possibly for Workshop recommendations regarding landmarks and historic resources in the vicinity of 14th and Broadway. The extent to which improvements would act as catalysts for revitalization depends on how they help to achieve various land use strategies.

Workshop recommendations also include improvements that might be desirable downtown independent of strategy options for different land uses (e.g. gateways to downtown, treatment of the Nimitz Freeway underpass). These improvements could be of lower priority in terms of their strategic importance and impact.

There are options regarding sources of funds for development and ongoing maintenance of open space and streetscape improvements. Public sector participation and funding is likely to be required. Public monies, such as tax increment funds, could be allocated to develop some or all of the desired improvements. Ongoing maintenance could be the responsibility of the appropriate City department(s) and funded out of General Fund revenues. To the extent that public monies are involved, there will be issues of how benefits from desired improvements compare with benefits from other possible uses of those funds.

As an alternative to public funds or as a supplement to them, there is the possibility of private sector support for improvements through assessments or levies on private property downtown. California law permits special financing districts such as assessment districts and Mello Roos districts to finance public improvements. In addition, as an alternative to the commitment of City staff, it would be possible to create an entity (such as a non-profit corporation) that could plan for certain improvements and take the lead in sponsoring a financing district and in securing support for it.

A financing strategy using assessments or levies on downtown properties would require the support of property owners and agreement that improvements financed with such funds would benefit their properties. An approach for securing such support could be to provide certain improvements in each of the different neighborhoods downtown at the same time that other improvements of downtown-wide significance were done within the Broadway Corridor.

An entity created to implement various downtown improvements could be responsible for other downtown management functions and activities as well: promotional and marketing efforts, special events/festival programs, signage programs, facade improvement programs, etc. These activities could be funded by associations of property owners, downtown businesses, and/or downtown residents. If improvements funded through a special financing district included some that might otherwise be done by the City, tax increment or other funds could be freed up for funding these other activities.

Transportation Improvements

Workshop recommendations regarding transportation improvements are summarized in Figure 7. They fall into two categories: those identifying desired public transit improvements and those concerned with accommodating vehicular needs in a manner supportive of the pedestrian environment downtown.

Public Transit Improvements. Workshop recommendations call for expanded and/or free shuttle bus service along Broadway in the short term with a light rail/people-mover system over the longer term. There also is interest in a light rail line in the South-of-the-Nimitz area if rail trackage along Third Street is abandoned.

The success of public transit improvements of these types depends on the level of activity downtown and the density of development along the Broadway Corridor. Strategies identified throughout this report for achieving other Workshop recommendations could affect the viability of improved public transit. For example, strategies to intensify office development along the Broadway Corridor and/or to develop major retailing downtown would improve the market for public transit.

A people-mover or light rail system downtown would have to be built and operated as part of a larger transportation system, such as that operated by AC Transit. The transportation agency would probably take the lead on developing such a project with support from the City of Oakland. The City's role could include financial participation and subsidy as well as a lead role in undertaking strategies and revising land use policies so as to intensify uses along the transit corridor. The Workshop recommendations are timely in that AC Transit is about to undertake analysis of transit improvement alternatives for its busiest corridors, one of which is the Broadway Corridor. Light rail transit is one of the alternatives to be evaluated. The evaluation will address the costs and benefits of alternatives as well as land use impacts and financing/funding options. Whether light rail is developed on Broadway is likely to relate to factors beyond local control including Clean Air Act requirements affecting transit operators and the availability of funding for new systems from higher levels of government.

Local actions could have a more direct effect on continuing and expanding shuttle bus service on Broadway over the shorter term. The main issue is providing funds to cover the costs. Funding options could include support from the local business community (as has been done in the past) as well as local funding sources (tax increment) and possibly assessments or levies on private property owners downtown.

Auto-Related Issues. The Workshop recommended that vehicular needs downtown be accommodated to support the pedestrian environment. Regarding the provision of parking, development guidelines for the provision of parking on site as well as guidelines for the siting and design of stand-alone parking structures could encourage

FIGURE 7
WORKSHOP RECOMMENDATIONS REGARDING TRANSPORTATION
IMPROVEMENTS DOWNTOWN

Preserve Integrity of Downtown Neighborhoods

- ▶ South-of-the-Nimitz: if abandoned, retain and modify Third Street rail trackage to accommodate light rail vehicles to link live-work and off-price retail areas back to Broadway.

Build Upon the Existing Downtown Structure

- ▶ Reinforce the prominence of Broadway: focus transportation improvements on Broadway including expanded free downtown bus service in the short term and a people-mover or light rail system in the long term.

Encourage a Pedestrian Quality Downtown

- ▶ Accommodate vehicular needs in a manner supportive of the pedestrian environment: accommodation of vehicular traffic should not compromise quality of pedestrian environment; parking should be accommodated in buildings devoted to other uses where possible; any stand-alone garages should have active ground floor uses and should not block the existing street network; surface parking lots should be phased out of downtown.
- ▶ Encourage public transit: alternatives put forward include:
 - a "free-fare" bus zone within downtown;
 - expanded downtown shuttle service;
 - transit mall on Broadway between Jack London Square and Grand Avenue; and
 - a surface light rail system connecting Jack London waterfront with the Lake Merritt office district and, potentially, serving the inner East Bay.

parking that is supportive of the pedestrian environment (i.e. that ground floor uses be active, that parking structures not block the existing street network, that driveways be sensitive to pedestrian needs and not be too numerous, etc.).

The Workshop recommendation to phase out surface parking lots could be more difficult to implement. The issue is essentially a market one of when those sites are likely to be needed for new development. Many of the sites currently used for parking may not be used for new development for some time into the future. In fact, there could be an increase of surface parking lots in the near-term future as a result of the mandatory abatement of the hazards posed by earthquake-damaged buildings downtown and possible requirements to seismically upgrade unreinforced masonry buildings. The City may have the option of using regulatory powers to prohibit parking uses on newly vacated lots.

APPENDICES

APPENDIX A

A BROADWAY OPTION FOR MAJOR DOWNTOWN RETAIL DEVELOPMENT

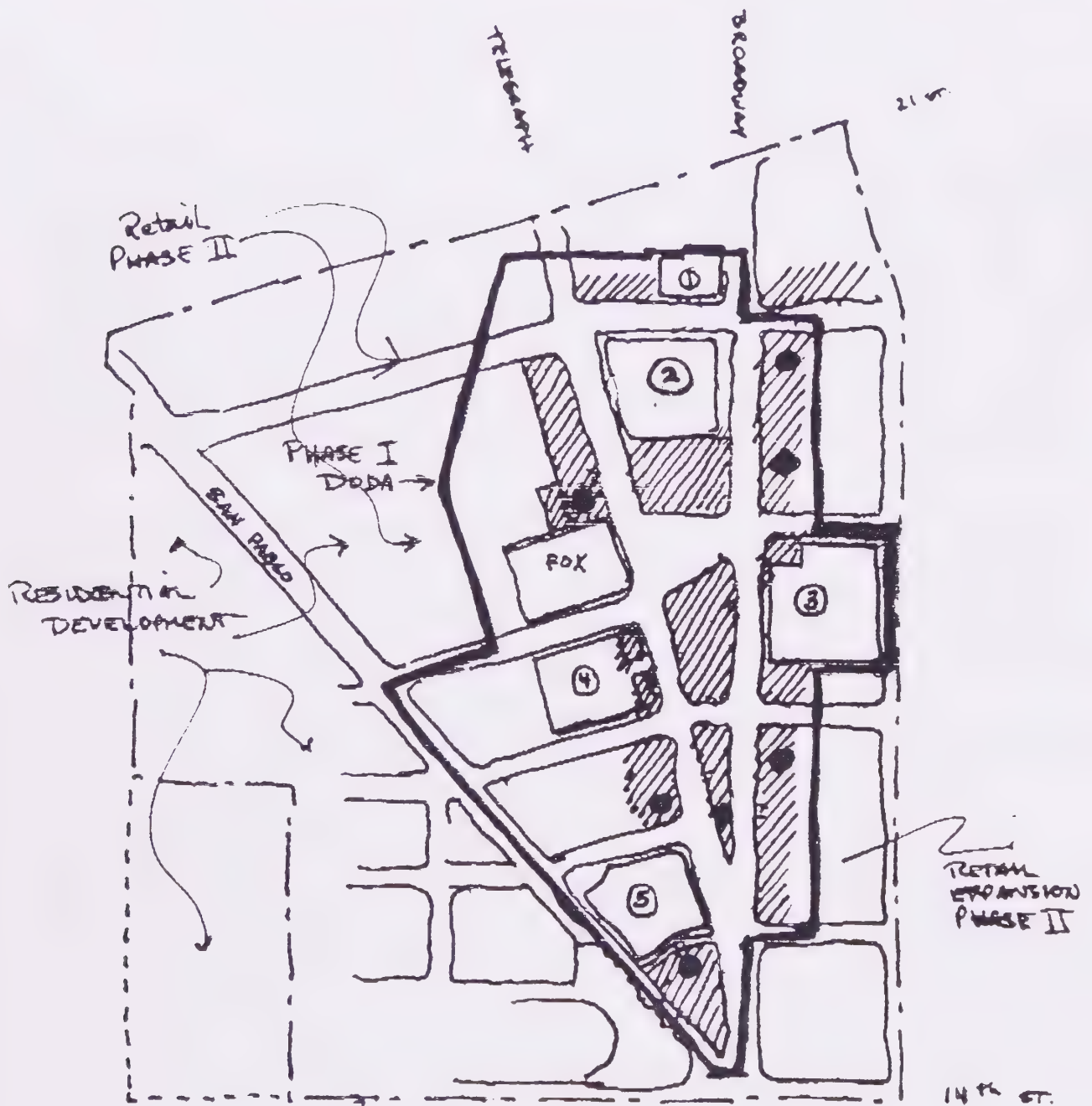
At the time of the Workshop and subsequent consultant analyses, evaluation of prospects for major downtown retailing focused on planning and design variations of the retail center proposal. The underlying concept of that proposal--a major destination shopping complex anchored by several large department stores--remained the same. One variation, the Broadway Option, incorporating department stores and mall-type shops into the existing building fabric along Broadway, is outlined below. Further evaluation of such a scheme will require input from an experienced retail development architect/urban designer, preferably one with a successful track-record on downtown developments, to help identify how downtown Oakland's existing built form and infrastructure might be converted to accommodate a contemporary retailing and mixed-use complex.

The economic feasibility of the Broadway option also needs evaluation. If the scale of the concept is unworkable, underlying elements of the scheme (centered on Broadway, use of existing buildings, pedestrian orientation) may be able to adapt to a retailing concept involving fewer stores, high-volume retailers that were not department stores, and/or other components of a less-ambitious plan.

The following characteristics of an alternative scheme can be reviewed in conjunction with the accompanying schematic diagram entitled **Broadway Option**.

- ▶ Overall, the scheme would be totally externalized with retail activity centered on both Broadway and Telegraph Avenue and extending from 20th Street to 14th Street. Department stores would be strategically placed to anchor retail activity throughout the area. The concept would include a mix of uses including highrise office above lower-level retailing and cultural, entertainment, and other special uses that provide additional attractions.
- ▶ Ideally, five department stores would be involved in this scheme (Emporium, Macy's, Nordstrom, J.C. Penny, and I. Magnin). The scheme could proceed with Emporium and the three new department stores if I. Magnin were not interested. A project with fewer department stores is unlikely to be able to achieve the objectives of this scheme.
- ▶ To the north, the I. Magnin and Emporium facilities could remain where they are, with interior remodeling and preferably expansion to the I. Magnin facility. A new department store could be situated on the east

BROADWAY OPTION



① - DEPT STORES

/// - HALL STORES

● - SCHEMATIC REPRESENTATION
of high-rise office, hotel, etc.

DODA - Dtn Oak. Dev. Authority

VRBANIG

side of Broadway in the block between 19th and 17th Streets. (Further investigation would be needed to evaluate how much of this block could be assembled to accommodate a relatively large department store.) A new department store could be situated on the west side of Telegraph between 18th and 17th Streets, possibly set back to accommodate mall shops on either side of its entrance. On the southern end, the Rotunda could possibly be redesigned to accommodate a modern department store.

- ▶ The intent of this scheme would be to maximize the use of the existing building infrastructure and to retain the distinctive early 20th century and Art Deco architecture of many buildings in the Uptown district. In fact, the existing architectural character could provide an overall theme for the retailing district, building on the unique resources of the area and giving it a distinctly Oakland flavor. The project area or portions of it could be designated as an historic district (see discussion in Appendix B regarding implementation considerations). Particular attention could be given to retaining existing buildings of historic and architectural merit. New construction could be designed to be compatible with the existing fabric and character of the area.
- ▶ Along Broadway and Telegraph generally between 20th and 14th/15th Streets, the lower levels of existing buildings deemed worthy of retention could be redesigned to accommodate national and regional mall-type tenants. Existing large and/or deep spaces could be designed to accommodate quasi-anchor tenants (small specialty department stores, large fashion tenants, etc.). Buildings not judged to be worth retaining would be demolished and sites combined with each other and with already vacant sites as needed for new development. Where possible, new development would accommodate continuous retailing on the lower levels with other major uses, principally office, above. In other situations, new development, at least initially, would accommodate retailing facilities for purposes of continuous retail frontages along Broadway and Telegraph Avenue. In these cases, mixed-use development could occur at a later date.
- ▶ This scheme should provide as much as 300,000 to 350,000 square feet of non-department store retail space along the two sides of Broadway and Telegraph from about 20th Street to 14th/15th Streets. Potentially there could be two levels of retailing, at least in some locations.
- ▶ A major open space could emerge in the general area of the conjunction of 19th Street, Broadway, 18th Street, Telegraph, and the Fox Theater.
- ▶ Telegraph Avenue would have a strong pedestrian orientation; the street might be closed to traffic, or traffic might be restricted to buses, cabs,

and delivery vans, or it may remain open to traffic with vehicles limited to slow speeds.

- ▶ Most parking would be situated to the west of the retailing complex (to the west of the back of retail facilities that face the west side of Telegraph Avenue). Additional parking might be provided on the east side, off Franklin Street, to serve retailing facilities fronting on Broadway.
- ▶ Efforts would be made to include special uses that add attractions to the Uptown area such as live theater, specialty commercial recreation, children's museum, public art gallery, educational/entertainment facilities and exhibits, and other specialty institutional uses. Existing buildings of historic merit might qualify for adaptive reuse for these types of special uses. These uses also might provide occupancies for upper floor space.
- ▶ Provision for future expansion should be built into the scheme, particularly to accommodate one or two additional department stores. Possibly, such expansion could occur in the vicinity of the intersection of 20th Street and Telegraph Avenue, in the northwest quadrant of the intersection and/or the southwest quadrant to the north of the Fox Theater. Alternatively, and if at all possible, an additional department store should be situated to the east of Broadway and preferably to the south of 17th Street. There may be issues of site assemblage here. Additional mall-type tenants could also be added in an expansion phase. In addition, there would be the potential for other highrise development in the future, primarily for office use and possibly for a hotel.

The Broadway Option obviously entails many complex problems and issues and the concept requires adjustments and refinements before concluding whether a workable scheme or plan can be developed. However, it appears worthwhile to more fully evaluate such a concept because of the benefits that might follow. The advantages of such a scheme include:

- ▶ better use of existing downtown buildings and, potentially, lower development costs;
- ▶ utilization of under-developed land and of existing buildings that might otherwise have difficulty being occupied;
- ▶ retention and use of historically and architecturally significant buildings in downtown Oakland;
- ▶ resolution of situations for some earthquake-damaged buildings and their sites that might otherwise remain unresolved for a longer period of time;

- ▶ a development program that spans Broadway and activates street frontages on both sides of this major street;
- ▶ a better bridging element between City Center and Kaiser Center and a better linkage between retailing activities and employment and residents on the east side of Broadway;
- ▶ integration of major retailing with City Hall and City Hall Plaza and potentially with a city office building and other amenities at 14th and Broadway, and greater potential to use the location of City government offices as a catalyst for the retail complex (see discussion in Appendix B regarding implementation as well as the discussion in the chapter concerning the office market);
- ▶ greater possibilities and incentives for mixed-use development within the retail district, enhancing the feasibility of major retail development, resulting in a "complex" that is more urban in character, resulting in more "spillover" activity and development nearby, and having greater overall impact on downtown revitalization; and
- ▶ greater area for eventual multiple-family housing development to the west of the retail district on either side of San Pablo Avenue (generally in the vicinity of 21st Street and 18th Street).

It remains to be seen whether a complex program of this type could be refined into an implementable project scheme. Among other things, the Broadway Option would require strong leadership and effective implementation of a very deliberate course of action. Further, it would be a challenge to make this scheme attractive to the retail development industry which is likely to view it as being difficult and risky to implement. In addition, there would be feasibility considerations; public sector costs would have to match available public sector resources. The retail chapter and Appendix B discuss implementation considerations that could influence project feasibility.

APPENDIX B

IMPLEMENTATION CONSIDERATIONS FOR MAJOR DOWNTOWN RETAIL DEVELOPMENT

The implementation considerations discussed in this appendix focus on the nature of cost sharing arrangements between the public and private sectors and identify possibilities for enhancing economic feasibility of major downtown retail development by reducing the amount of public subsidy. The intent is to identify the kinds of implementation strategy options that could be pursued further in attempting to develop a feasible program for implementing major destination retail development of the type recommended by the Workshop. Some options may have already been considered; others may identify possibilities for further consideration. Comments do not necessarily apply to all potential development schemes; some implementation options would work better with some schemes than others. Further economic analysis and evaluation would be needed to refine possibilities of various types, to relate implementation options to specific development schemes and alternatives, and to identify the best mix of implementation options for the preferred alternative.

OWNERSHIP AND CONTROL OF LAND

The land beneath and surrounding major retail development will undoubtedly appreciate in value. Therefore, if there is to be major public subsidy for this project, then, ideally, the first component of subsidy should be through public control of the property and the leasing of it, on a long term basis, to a developer(s) with the land rent being discounted, as circumstances require. A long-term land lease arrangement provides the public sector with numerous mechanisms by which to eventually recover subsidy. These include mechanisms for escalating land rent over time, for allowing the public sector to participate in project profits such as through participation in project gross rental revenues or in project net revenues, and/or for enjoying the benefits of appreciated land values upon termination of the lease. Subsidy also could be recovered from increased land value as a result of the enhanced feasibility of developing other land uses in the project area due to the catalytic effect of a critical mass of retailing activity in combination with higher densities, air rights, and other entitlements.

For the above reasons, it is recommended that the public sector consider being the owner of all land involved in a major retail development/mixed use complex. However, acquiring a large amount of property would be extremely expensive and in some cases require condemnation that could lead to delays, legal problems, and extra costs. The situation could be particularly costly and complicated if the development scheme involved the acquisition of substantial buildings (as in the Broadway Option described in Appendix A) as opposed to a lesser cost scenario of acquiring either

vacant land and/or under-utilized properties (more similar to the proposed retail center option). In order to reduce the costs of land acquisition, particularly in relation to a scheme like the Broadway Option, the City could look to the possible establishment of a development authority.

DEVELOPMENT AUTHORITY

There are many ways in which a development authority can be structured and many reasons for it being established. In the context of a major retail development, particularly of the type envisioned by the Broadway Option, establishing a development authority might prove to be of considerable advantage. In this instance, the development authority would be established initially to create a single-owner property landlord or project lessor and would involve the City acquiring as much property as is deemed appropriate, with private property owners participating as well by selling their real estate asset(s), be it land or land and buildings, in exchange for shares in the development authority.

The formation of such a development authority would reduce the upfront cost of land purchase to the City. Instead of the City purchasing all the property in the project area, owners of some of the property would contribute their holdings in exchange for shares in the development authority, with the expectation of return on their investment over the longer term as a result of the success of the retail development. It would also be possible for the City and/or other shareholders to increase their interest in the development authority through the contribution of cash as equity capital.

Setting up a development authority would include the following basic steps:

- ▶ The probable boundaries of the project area for the development program would be established.
- ▶ The City would acquire as much property within those boundaries as it can possibly purchase, on the open market, and in as discreet a fashion as possible, with concentration on underdeveloped and vacant properties. (The City should acquire most of its property by way of long term options such that if the majority of intended assemblage, including both private and public interests, is not consummated, the City need not exercise all of its property acquisition options).
- ▶ Once the City has acquired such properties, efforts would be made to assemble the balance of the development site. The remaining private sector property owners would be encouraged to exchange their real estate assets for shares in the development authority. While actually somewhat complicated, this transaction can be simplistically described as having all property owners identify the value of their respective real estate assets

on a given "valuation day" and having each property owner's assets, including the City's holdings, reflected as a percentage of the aggregate property assessment value.

Establishing a development authority for project implementation assumes that all parties owning property in the project area would participate in the authority. Potentially, special efforts might be needed to encourage full participation. In the event that major retail development would not be feasible without creating a development authority, there would be incentives for participation by owners whose properties would likely experience further decline in value without major retail development. Under an alternative like the Broadway Option compared to a scheme like the recently proposed retail center project, there would be incentives for participation by owners whose properties would otherwise be outside the area of a more compact, mall-like project. For all participants, there would be the opportunity for realizing appreciation in the value of their shares in the development authority, an opportunity that would not exist if the property were purchased by the City at its current market value. Public acquisition of property might be required in situations where owners were not willing to participate. For an alternative like the Broadway Option that would retain and incorporate numerous existing buildings into the retail complex, it might be possible to acquire control of only the lower level(s) of larger buildings to allow for retailing continuity at the ground (or second) level(s) in situations where owners were not willing to participate in the development authority. In most cases, this would be less costly than acquiring the entire building.

Throughout the process of defining the project area and evaluating the extent of City purchase of property and the participation of other property owners through a development authority, it would be prudent to also consider properties for later phase development, such as those for subsequent retail development as well as for highrise office, hotel, and eventual residential development. The intent would be to consider possibilities for gaining control of such properties before property values increased as a result of the first critical mass phase of retail development as well as other associated improvements and public sector entitlements.

Once a development authority is formed, there are options as to the nature of its participation in the project. The authority could be a passive long-term lessor of land in the project area, or it could function as both a land lessor and a prospective joint-venture equity partner (with property and/or cash contributed as the authority's equity). There are other variations of participation including, for example, a company (subsidiary of the development authority) that would be responsible for the development, ownership, and management of parking facilities to be built in the project area.

PUBLIC SECTOR ENTITLEMENTS

The City of Oakland is in a unique position to use its regulatory powers to enhance the feasibility of major retail development through entitlements that provide incentives for other development within the project area such as highrise office and eventually hotel, residential, and possibly other uses. Such a strategy would require changes in zoning and other regulations such that land within the project area would be allowed the highest density development, the most flexibility in land use, and/or possibly relaxation of regulations such as those affecting parking or building heights. (The office chapter of this report discusses such a strategy with respect to guiding the path of future office building development.) A strategy for public sector entitlements could be used to ensure that the development authority were the beneficiary of property enhancements thereby facilitating the development activity of the authority as well as providing incentives for participation by private property owners.

INCENTIVES RELATED TO HISTORIC BUILDINGS

There could be implementation incentives under alternatives that would seek to preserve existing buildings of historic and architectural significance and incorporate them into the overall development complex (as suggested in the Broadway Option). Potentially, there could be state and/or federal assistance for historic rehabilitation in the form of federal tax incentives, grants from the State Office of Historic Preservation in the case of publicly-owned structures, local property tax relief (Mills Act) (although this would primarily offset tax increment revenues), and possible emergency loans from the State for engineering or other planning work on historic buildings. In most cases, these incentives would be available for historic structures listed in the National Register of Historic Places or for structures located in a registered historic district that might be designated for all or a portion of the project area. There also could be benefits in the form of lower repair and/or rehabilitation costs for historic buildings to the extent that work could be done to meet standards of the State Historic Building Code rather than the generally applicable building code of the City of Oakland. Currently, the Earthquake Repair Ordinance allows use of the State Historic Building Code for repair of historic buildings damaged in the Loma Prieta Earthquake. The City could use its regulatory powers to make such allowance for all historic buildings in the project area or for all older buildings in a designated historic district within the project area.

Further evaluation is required to identify the extent that incentives to preserve historic buildings could enhance project feasibility. The financial benefit would depend on which buildings qualify and the possible extent of an historic district. There also could be issues for how incentives designed for privately-owned or publicly-owned structures would apply in the case of a development authority that had both public and private sector shareholders.

DEVELOPER/PRE-INVESTOR MARKETING

If an effort were made to re-evaluate a major retail project, there are planning activities and initial actions that could be undertaken before seeking to attract a major developer/investor. Such an approach would allow the City to enhance the attractiveness and certainty of the preferred program and lower the risk of such an undertaking. The following identifies examples of the types of activities and actions that could be undertaken by the City or a development authority prior to attracting a major developer/investor:

- ▶ address issues of land assembly and private owner participation in a development authority, if appropriate;
- ▶ secure on a tentative basis (without resolution of real estate terms), the commitment of various anchor stores to the desired development program;
- ▶ resolve the interests of Emporium and I. Magnin including their location, expansion, and/or relocation;
- ▶ resolve the status of older existing buildings in terms of those worthy of retention that are to be incorporated into the project area and, if appropriate, designate an historic district;
- ▶ identify extent of building improvements required for existing buildings to be retained and incorporated into the development program;
- ▶ prepare preliminary project site and architectural plans and renderings;
- ▶ plan for changes in zoning and other regulations so as to facilitate property enhancement entitlements and/or the retention of historic buildings, as appropriate;
- ▶ plan for off-site and on-site street improvements, utility development, parking improvements, etc.;
- ▶ depending on the program, commit city government offices as a tenant for office space in the project area and identify the probable terms to be offered as a guaranteed tenant;
- ▶ depending on the program, identify any other public sector tenants that might provide guarantees for project area office space; and

- ▶ identify major private sector office tenants that would be interested in a mixed-use development program for restored office space and/or new development depending on the program.

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